



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

~~Y 4 B 22/3: W 57/15/ PT.8~~

NOMINATION OF JOHN SKELTON WILLIAMS

Y 4 B 22/3:
W 57/15/
PT.8
FED
DOCS

HEARING

BEFORE THE

STANFORD
LIBRARIES

P76-92

COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 8

Printed for the use of the Committee on Banking and Currency



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

~~11. B22/7: W 57/15/102-8~~

NOMINATION OF JOHN SKELTON WILLIAMS

Y 4 B 22/3:
W 57/15/
PT. 8
FED
DOCS

HEARING

BEFORE THE

STANFORD
LIBRARIES

P76-92

COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

SIXTY-SIXTH CONGRESS
FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 8

Printed for the use of the Committee on Banking and Currency



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

COMMITTEE ON BANKING AND CURRENCY.

GEORGE P. McLEAN, Connecticut, *Chairman.*

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

JOSEPH S. FRELINGHUYSEN, New Jersey.

BOIES PENROSE, Pennsylvania.

WILLIAM M. CALDER, New York.

TRUMAN H. NEWBERRY, Michigan.

HENRY W. KEYES, New Hampshire.

ROBERT L. OWEN, Oklahoma.

GILBERT M. HITCHCOCK, Nebraska.

ATLEE POMERENE, Ohio.

DUNCAN U. FLETCHER, Florida.

JOHN B. KENDRICK, Wyoming.

CHARLES B. HENDERSON, Nevada.

DAVID I. WALSH, Massachusetts.

W. H. SAULT, *Clerk.*

NOMINATION OF JOHN SKELTON WILLIAMS.

SATURDAY, JULY 26, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m. in the committee room, Senate Office Building, Senator George P. McLean, presiding.

Present: Senators McLean (chairman), and Page.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency, and others.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, at yesterday afternoon's hearing I discussed and pointed out to you the fallacies and absurdities of what Mr. Hogan had characterized as the two main things, namely, the alleged antipathy toward Ailes and Flather, who had been witnesses in opposition to my confirmation five years ago, and my alleged dislike of Mr. Hill, the New York Tribune correspondent. Mr. Hogan's purpose seems to have been to swamp the record with a conglomeration of distortions and untruths. He has proven himself to be such a rapid-fire falsifier that it will necessarily take some of your valuable time, and of my time, to point out to you his principal misstatements, but I ask your indulgence while I do so.

Mr. Hogan in his testimony has made reference to the communication which he says I addressed to the Boston Transcript in regard to an article which Mr. Hill had written and printed in that paper. I beg leave to read my letter to the Boston Transcript on that subject, referring to that article:

MANAGING EDITOR, *Boston Evening Transcript*,
Boston, Mass.

DECEMBER 30, 1918.

DEAR SIR: I am writing to ask your attention to articles regarding the office of the Comptroller of the Currency, and my conduct of it, appearing in the Transcript of November 30, on page 10 of part 1, and October 5, on the stock market page.

Please believe that I do not object to criticism of myself as a public officer, and that I realize it is the right and duty of the press to print such criticism when it appears to be required or deserved. I do object to attacks against me based on flagrant falsehood, obviously incited by malice, probably part of bought propaganda, and intended to assassinate my official and personal character. The established reputation of the Transcript assures me that its management would not knowingly publish slanders of that kind. For that reason I feel confident that you will consider fairly facts which I offer for your consideration.

When I had read these articles I sent for Mr. Brigham, your regular correspondent here, believing from my knowledge of him, and from his reputation, that he had been imposed on with false information. He was ill at the time, but upon his return to his office he called at the Treasury, and upon being shown the articles referred to he promptly and frankly told me he had not written them and knew nothing of them.

I have just been able to ascertain that they had been sent to you for publication by one George G. Hill, who has an office in this city. This man seems to be operating a small syndicate correspondence. My attention has been called to letters verbatim, the same as that published in the Transcript of November 30, which appeared in a daily newspaper published in Clarksburg, W. Va., under the name of Charles Brooks Smith, on December 5, and dated, "Washington, December —," the same article being published in a Pittsburgh newspaper, dated December 7, 1918.

Mr. C. B. Smith, when asked about the article published under his name, called attention to its prior publication in the Transcript.

George G. Hill I now recall as the correspondent of the New York Tribune here several years ago, who sent to that newspaper a series of letters containing virulent, malicious, and wholly unfounded attacks on me in connection with the action of the Treasury Department at that time in averting impending bank troubles of Washington. Before and during the trial of the Riggs Bank cases (in which the action of this office was completely upheld on every point save one small technicality) he seemed to be conducting a kind of press agency for the purpose of upholding that institution and assailing me and the department. This is the same man who was denounced personally by Secretary McAdoo, because of his false statements. At that time, December 4, 1913, the Secretary of the Treasury in a public announcement said:

"The publications in a New York newspaper concerning the action of the Treasury Department with respect to the acquisition of the United States Trust Co. by the Munsey Trust Co. are full of falsehood and innuendo and are without the shadow of possible justification.

"The source of these publications is known to and thoroughly discredited by the department."

I have reason to believe that this man Hill was dismissed from the service of the Tribune because the evidence disproved his assertions and convicted him of outrageous slander and placed him under strong suspicion of having used the paper and his position in the interest of the Riggs Bank and its officials who were under serious criticisms from this department.

On learning of his identity, which was not until December 27, I had my secretary telephone him and ask him to call at my office, desiring to point out to him his flagrant misstatements in the Transcript articles. He replied declining to come, and asked that I communicate with him by letter. I prefer to communicate with you as the head of the most important newspaper in which the articles here referred to have appeared, as far as I am informed.

His letters, as published in the Transcript, contain a series of direct falsehoods, which I am prepared to point out to you in detail, if you wish. Their entire tone is vindictive, as I think you will see if you will read them. Slanderous and misleading, rather than informing to your public.

As one illustration, I ask your attention to his statement in his article of November 30 that, "through his influence, Mr. Williams, has succeeded in taking away more than seventy-five millions of deposits from the company" (referring to a certain trust company in New York). This statement was wholly false, intending to be damaging, and was without a particle of truth.

Inevitably in my enforcement of the law, in administering the office of the Comptroller of the Currency, I have displeased a large number of bankers unaccustomed to close supervision of the management of their institutions, and have made some enemies, but the present condition of the national banks, which is unprecedented prosperity and stability, after coming through an unprecedented strain, is ample vindication for the policy of rigid enforcement of law and regulations which this office has followed. Their present record for growth, earnings, strength, and immunity from failure is the best in the entire history of the national banking system since its organization in 1863. The abolition of the office of the Comptroller of the Currency, urged by your correspondent, is a matter with the Congress after study of the facts, and does not especially interest me. I was never an applicant for the office of Comptroller of the Currency, nor have I ever been for any other office, and as a matter of fact, I refused to accept the comptrollership when it was originally offered

to me, accepting it the second time it was tendered only in the hope that I might perhaps be of some public service.

Therefore, although the future of the comptroller's office is immaterial to me personally I am interested in preventing reputable newspapers from being used to circulate slanders against me and my administration, I am accordingly asking your serious attention to this incident and shall hope for a definite reply from you.

Yours, very truly,

JNO. SKELTON WILLIAMS.

I omitted yesterday also to read into the record, as I intended to do, the lower portion of page 8 and page 9 of the February, 1914, hearings, including a statement which had been prepared, with a view to giving it to the press, by Secretary McAdoo or myself, and followed in that record by interrogatories by Senator Nelson and Senator Reed.

The Secretary of the Treasury and myself have considered the published articles criticizing the taking over by the Munsey Trust Co. of the United States Trust Co. We realize that our official acts are proper subjects for discussion by the press, and that the public has the right to be fully informed as to the handling of public funds, and of the dealings of its officers with public affairs. In this instance evident attempts have been made to avoid definite accusations or questions to which direct answers could be given. We have seen daily successions of hints, suggestions, and surmises, the familiar devices of those who endeavor to injure character and to undermine confidence while shirking responsibility. We have seen consistent repetitions of "according to the story in circulation;" "it is broadly intimated," and the like. Opinions and expressions alleged to come from persons regularly described and never named have been presented, and there is no means of knowing whether these are imaginary or assaults from ambush by those afraid to come out in the open and face contradiction, exposure, and shame. Honest and truthful and brave men who have substantial reasons for complaint against officers of this Government have no reason for fear or for concealment of their identity. If there be citizens who promulgate such charges from hiding, it is evident that they lack confidence in their own characters or lack of proof with which they would dare face the public.

This department has abundant evidence of the inspiration and instigation of the attacks upon it referred to, but does not know how much of the innuendo and insinuation against it are derived from the instigators or how much invented.

Attempts to answer daily the hints at wrongdoing would have resulted in unnecessary discussion and controversy, undignified and not required. It was deemed sufficient to interpose a direct challenge of the general allegations as has been done by Secretary McAdoo, and then to wait until the case of the complainants or accusers has been fully developed or exhausted before submitting to the public a complete statement of all the facts and the evidence. The department has assumed that such a statement might be in order in justice to the general public to show beyond doubt that there was never any foundation for printed stories and to prevent local uneasiness.

Because of recklessness or ignorance, or possibly a combination of both, the general character of the attacks on the Treasury Department and the transactions of the trust companies has been such as to tend to disturb general confidence in all banking institutions here. It is a familiar fact that any falsehood, however gross or obvious, or however cautiously put forth by constant reiteration, can be made to impress the general mind, at least with suspicion and fear, but the articles in the New York Tribune, published under Washington date lines, have contradicted each other directly and absurdly and so carried internal proof of their own inaccuracy.

December 3 the Tribune says: "The Acting Comptroller of the Currency, after thorough investigation by Bank Examiner Goodhart, recommended that the directors of that company [the United States Trust] be given the option of going into voluntary bankruptcy or of the institution being taken in charge by the comptroller."

December 13 the same newspaper, presumably the same writer, said: "It developed to-day that the national banks of Washington would have cheerfully guaranteed a Federal deposit of \$500,000, or even \$1,000,000 if needed,

with the United States Trust Co. had the offer of ex-Senator Scott to resume the presidency of that institution and to furnish \$500,000 of his own funds been accepted. This arrangement, it is asserted, would have saved the stockholders of the United States Trust Co. from inevitable loss and might have resulted in making their holdings worth their full face value.

"It is also pointed out that had the recommendation of the Comptroller of the Currency been supported instead of repudiated by Assistant Secretary Williams—that the United States Trust Co. be closed and its assets transferred to a receiver appointed by the Government—there would have been abundant opportunity to dispose of the assets and good will of the company without haste and on the most favorable terms."

Mr. NELSON. Did the Comptroller of the Currency intimate to the United States Trust Co. that they would have to go into liquidation or into the hands of receivers?

Mr. WILLIAMS. We will come back to that question if it is not answered here.

Mr. REED. In other words, the charge is that if the doors had closed they would have been able to dispose of their "good will" on most favorable terms?

Mr. WILLIAMS. Yes. Has anyone ever heard of disposing of the good will of a "busted" bank?

December 5 the same paper says:

"Those who take issue with Secretary McAdoo's views, as expressed in his official statement, assert that the depositors of the United States Trust Co. were never threatened with loss until after interference of the Treasury Department and after Assistant Secretary Williams's rejection of the action of the Acting Comptroller of the Currency."

In one article we are told the United States Trust Co. should have been driven into bankruptcy or the hands of the comptroller; in another that it could have been rescued by ex-Senator Scott, or should have been closed and put in the hands of a receiver as a means of protecting depositors and stockholders.

This is merely by way of illustration. Analysis of a file of these articles readily shows how they destroy their own force and the unwisdom of an attempt to meet anonymous accusers and vague charges on ground constantly shifting.

Furthermore, there have been frequent hints of an investigation by Congress of the conduct of the department in this matter. The department would welcome an official and prompt investigation as giving it opportunity to answer specific charges presented by known persons and promising a decisive report of its conduct and the unearthing of the hidden authors of slanders and libels.

Endeavoring to put clearly before the public the facts, it is best, perhaps, to present in chronological order the events leading to the transfer of the United States Trust Co. to the Munsey Trust Co.

At the beginning of this administration the Treasury Department learned that the United States Trust Co. was encumbered with a quantity of slow and unsatisfactory assets. The directors were admonished that they would be allowed six months in which to put their affairs in proper and satisfactory shape. The directors signed an agreement to comply, and to liquidate certain loans which had been criticized.

Early in November of this year the National Bank of Washington had up negotiations looking to a merger with the United States Trust Co. The department was advised that these negotiations were pending, but was not at first asked for aid, and merely awaited results.

Monday, November 16, the president of the National Bank of Washington informed the department that the negotiations had failed. The department had received a preliminary report from Bank Examiner Goodhart showing that the United States Trust Co. had not fulfilled the agreement to require payment of questionable loans, and estimating a shrinkage in capital and surplus of more than \$1,000,000. It was evident the company could not continue business with capital thus impaired, and that unless something was done to save it the closing of its doors would be necessary. Aside from the distress certain to result to its 55,000 depositors, many of them thrifty people of limited means, by the closing of their bank and indefinite deprivation of their money a month before the holidays, the department was forced to consider the possibility of general alarm, of runs on other banks, and of a panic which once begun might have spread far through the country.

Tuesday, November 17, six or eight of the officers of clearing-house banks met at the office of the bank examiner to consider the situation. This meeting was held at the suggestion of the comptroller, to devise plans to protect the local banking situation, and to prevent spread of trouble if the United States Trust Co. was forced to suspend. The comptroller saw little or no hope of saving the trust company, but was anxious to limit the disaster. The bankers present did not agree to furnish the United States Trust Co. with the assistance it needed. Solicitor Elliott, of the comptroller's office, who was present, went at 11 o'clock at night to Secretary McAdoo's home, awoke him, stated the situation, and asked if the Treasury Department would cooperate in efforts to save the trust company. The Secretary replied immediately that the department would give all the help it could properly and legally. Mr. Elliott returned to the meeting of bankers and reported what the Secretary said, but the meeting adjourned without action.

Mr. Hogan's complaints and criticisms were not presented in an orderly manner, or in any logical sequence, and I am a little at a loss as to the best way to answer them. Perhaps for a while it may be well for me to take his testimony, and running over it, point out some of the most prominent of his incorrect and misleading statements.

The CHAIRMAN. Any part of his testimony that you wish to reply to, the committee will be glad to hear you on.

Mr. WILLIAMS. An illustration of Mr. Hogan's loose and untrue statements is found in his reference to an overdraft of about \$6,500 of Mrs. Glover, wife of the president of the Riggs National Bank. Mr. Hogan declared unequivocally:

The comptroller had used the case of that overdraft to make "public comment upon it," but when asked by the chairman whether it was published in any way he had to admit "I do not know."

Mr. Hogan declares on page 90:

The report of the examiner which showed that overdraft was made in October, 1913. It was customary, in the regular conduct of the comptroller's office, that where there was anything to be criticized, as shown by a national-bank examiner's report, the comptroller would write a letter to the bank as promptly as reasonably might be possible after the coming in of the report.

The report in this case was made in October, 1913. The comptroller was writing his animadversions upon that overdraft in 1915.

Commenting further upon the incident Mr. Hogan said:

Yes, but when he is going back in 1915 to write about things in 1913 he is a little slow, you would say, in discharge of that responsibility.

In discussing the incident Senator Fletcher asked:

Is not that letter of 1915 the first time that the comptroller had called attention to the controversy?

Mr. HOGAN. Of Mrs. Glover?

Senator FLETCHER. Yes.

Mr. HOGAN (continuing). I will answer that in a minute. (After referring to a book.) Yes, sir.

That statement of Mr. Hogan was another untruth. The printed record shows that on November 11, 1913, Mr. T. P. Kane, as Acting Comptroller of the Currency, had written to the Riggs National Bank a letter calling attention not only to their "overdrafts," which included this overdraft of Mrs. Glover, but to other irregularities, and I ask that that letter of November 11, 1913, be printed in the record in its entirety. The comptroller had called the bank's attention to many other things—to shortage in its reserve of \$207,780 and overdrafts of \$23,344.69, and on November 19, 1913, the bank had written back a letter admitting its overdrafts and attempting to ex-

plain them, and incidentally explained that among the overdrafts was that overdraft of Mrs. Glover for \$6,500, claiming at that time that Mr. Glover was responsible for the account and that he had to his credit at that time "more than \$26,000," although, of course, as Senator Kendrick pointed out very clearly to your committee, one account was not an offset of the other. In addition to that overdraft of Mrs. Glover, at that same examination the bank was found to be carrying in its cash drawer a debit slip of the president of the bank—C. C. Glover—for \$6,562.50, representing the purchase price due by him for 200 shares of American Can stock, while there was also carried as "cash," although not cash, at the same time, similar items for various other customers, aggregating approximately \$50,000 additional due by various speculators for whom the bank was at that time conducting an active stock-and-bond business.

The CHAIRMAN. That was in 1913?

Mr. WILLIAMS. This was November, 1913, the last examination of the bank prior to my becoming comptroller, and that referred to their condition at that time, immediately before my taking charge of the office.

The CHAIRMAN. As I understand, that practice was stopped after you called the attention of the bank to it?

Mr. WILLIAMS. I am coming up to that practice, and as to how extensive it was.

The CHAIRMAN. Very well.

Mr. WILLIAMS. I should like to introduce right here that letter of November 11, 1913:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, November 11, 1913.

THE BOARD OF DIRECTORS RIGGS NATIONAL BANK,
Washington, D. C.

GENTLEMEN: The report of the examination of your bank completed October 23 shows a reserve deficiency of \$207,980, overdrafts of \$23,344.69, and the following paper classed as doubtful by the examiner:

William Barrett Ridgely-----	\$7, 150. 00
Kate F. Ainslee-----	32, 948. 98
Wallace Neff-----	2, 700. 00
	42, 798. 98

Liability for money borrowed is as follows:

Bonds borrowed-----	\$900, 000. 00
Bonds sold under agreement to repurchase-----	1, 221, 823. 45
	2, 121, 823. 45

The examiner states it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit.

The report of condition of the bank for October 21 shows the above liability for money borrowed and a reserve deficiency of \$374,786.

The required legal reserve must be made good at once and this office advised. Liability for borrowed money must be brought within the requirements without delay, the amount of overdrafts materially curtailed, and the doubtful paper given particular attention and collected, charged off or secured beyond question of loss. The irregular items in the cash must be eliminated and the practice of carrying stock items in the cash discontinued.

The directors are requested to advise this office promptly, over their individual signatures, of the action taken to comply with these requirements.

Respectfully,

P. T. KANE,
Acting Comptroller.

In answer to the acting comptroller's letter of criticism, the Riggs National Bank, in its letter of November 19, 1913, which was signed by President Glover, Cashier Flather, and 13 other directors, said:

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders as well as in charging purchasers to accounts. The items above mentioned were largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

I ask your especial attention to this statement, solemnly signed by the directors and the officers, because here is an admission that the bank was doing an active stock-brokerage business, an admission of conditions which they subsequently denied under oath, in connection with the criminal trial for perjury.

The CHAIRMAN. That is your conclusion. Just state the facts, Mr. Williams.

Mr. WILLIAMS. I am stating the facts, Mr. Chairman, and have read to the committee the bank's own statement on that subject.

The CHAIRMAN. Very well.

Mr. WILLIAMS. In his examination at that time Examiner Goodhart criticized the bank for carrying in its cash the stock purchases for account of customers, which should have been charged to their personal accounts when the orders for purchases were given, and not carried in this irregular manner.

Mr. Hogan also in his characteristic fashion exaggerates and magnifies an incident at one of the hearings in February, 1914. He says I made a solemn and fervent promise to Senator Weeks as to the manner in which I would conduct the office of comptroller if confirmed. The only foundation for his untrue story is an inquiry casually addressed to me by Senator Weeks as to whether or not there were any antagonisms which would prevent a fair and impartial administration of my official duties, and I replied to him in the negative. That was all there was to the incident, which Mr. Hogan in his testimony frequently alluded to, distorted, and exaggerated.

The CHAIRMAN. That, as I remember, was in executive session. I remember I was present—that is, there was no stenographer present.

Mr. WILLIAMS. None, so far as I recall. Mr. Hogan's statement or implication, on page 38, that there is or ever was in existence between Secretary McAdoo and myself any correspondence "which would show that there was a deliberate conspiracy to injure the Riggs Bank or its officials" is maliciously untrue and without the least foundation. I dislike to have to deny statements which are obviously false, but Mr. Hogan has established the practice of stating in his testimony before the committee that some absurd statement of his was not denied, and, therefore, endeavors to impress upon the committee the fact that there may have been some foundation for statements which had been thought unworthy of denial. I wish to state here that if I spare the time of the committee by omitting to deny all of his criticisms and complaints, which reflect in any way upon me or my administration, it is not because I do not regard them as wholly unwarranted and untrue.

The CHAIRMAN. Mr. Williams, the committee will give you time to deny every statement that Mr. Hogan made, that you wish to deny, if it takes all summer.

Mr. WILLIAMS. It was my purpose, in making that statement, to deny unequivocally and sweepingly every statement which—

The CHAIRMAN (interrupting). I want you to be careful to do so, because if there is any statement which is not controverted, the committee will have a right to assume that you do not wish to controvert it.

Mr. WILLIAMS. I do deny now the correctness of any statement which reflects upon my administration of this office, and I shall take them up seriatim for the most part, and point them out, as well as their fallacies, as I go along.

The CHAIRMAN. Any item of consequence I shall expect you to treat in that way, if you wish.

Mr. WILLIAMS. On page 38 he declares that the Government's case in the Riggs controversy was "flimsy," despite the fact that the Government won on every point at issue save the purely technical question in the substitution of an "and" for an "or" in a call for special reports. I will refer to that, however, later on.

On page 41 Mr. Hogan makes the following untrue statement:

No criticism respecting the condition of the bank produced by that examination, May, 1914, was brought to our attention, and, although we repeatedly asked for it, we never received it.

On page 30, of volume 1 of the correspondence between the Treasury and the Riggs National Bank, in a letter, dated June 23, 1914, I invite you to note the following criticism by the comptroller's office, based directly upon the disclosures made at the time of the last examination of the bank:

My attention has been called to a certain loan for \$170,203 shown in your "Statement No. 1," alleged to have been made to J. D. Richardson (who, I understand, is a former Member of Congress and a former member of the District Committee), secured by 1,374 shares of the stock of the Capital Traction Co. and sundry other collateral, which loan the bank examiner informs me he considers is inadequately margined. I am informed that this loan, or predecessor loans of which this loan is virtually a renewal, has been in your bank continuously for more than 10 years past; that the money advanced to this borrower has at times been largely in excess of the amount of the present loan, and that in previous years you were frequently admonished by the Comptroller of the Currency that the money which you were lending to this borrower was largely in excess of the amount which you were authorized to loan under the national-banking act; that the admonitions and instructions of this office, however, were repeatedly disregarded, and the loan kept in the bank, although at the present time it appears to be within the authorized limit, though insufficiently secured.

I note that you report that Mr. Richardson's average balance with your bank for the month of May was only \$300, or about one-sixth of 1 per cent of the amount of money which you were loaning him on his insufficiently-secured note. I understand that for the previous 12 months, also, Mr. Richardson's balance was but little, if any, in excess of the balance reported for May.

There was a criticism which had been made to the bank. I also at this point ask your attention to the admission made by Mr. Hogan in his testimony that that loan, so early criticized by the comptroller, when finally liquidated showed a loss to the bank of about \$18,000.

The CHAIRMAN. That was the loss that was charged over to the Flather & Flather account?

Mr. WILLIAMS. I do not know how it was charged, but it was a loss from that loan.

The CHAIRMAN. I think Mr. Hogan stated it was charged over to the Flather & Flather account.

Mr. WILLIAMS. Wherever it was charged, it was a loss, though, to the bank. On page 118 of the hearings, Mr. Hogan refers to that loss.

Further, on page 31, continuing, my letter reads:

A further analysis of the list which you have furnished of loans for \$5,000 or more made by your bank on bonds and stocks, and of your list of the average balances, if any, carried by these borrowers, seems to fully confirm my apprehensions that a strangely or abnormally large proportion of the funds of your bank were being loaned on bonds and stocks to parties who either had no deposit account with your bank, or whose deposit balances were of trivial consequence.

It was in this connection that I thought it pertinent to ascertain to what extent, if any, the officers of the bank may have profited personally through the purchases of these bonds and stocks, upon which the bank was lending large sums of money to friends or customers of the executive officers of the Riggs National Bank, who carried no deposit accounts with the bank, and whose relations with it were thus limited to borrowing its money, or to the dealings in bonds and stocks through its officers.

The CHAIRMAN. You are reading now from one of your communications to the bank?

Mr. WILLIAMS. Yes, sir. I am reading that in response to Mr. Hogan's statement that there had been no criticisms.

The statements which you have submitted to me show that of the \$5,100,000, or thereabouts, loaned on bonds and stocks to parties borrowing \$5,000 or more, about 70 per cent, or say approximately \$3,500,000, was being loaned to borrowers the sum total of whose deposit balances with your bank amounted to less than \$25,000, or say on an average about three-fifths of 1 per cent of their borrowings—many of them having no balances at all.

As I consider that certain of the questions which I have submitted to you in my recent communications have been answered imperfectly or evasively, while others are still unanswered, and inasmuch as some of these questions relate to matters which concern directly other executive officers of your bank, I have thought it best to prepare and submit herewith in quadruplicate a list of interrogatories relating to subjects discussed in our recent correspondence.

So, to facilitate the making of frank replies, those interrogatories were prepared and submitted with the letter.

Further criticisms are made in the comptroller's letter to the Riggs Bank of July 2, 1914, based upon conditions as a result of the May, 1914, examination and subsequent inquiries. On page 77, volume 1, of the correspondence, in a letter to the Riggs Bank by the comptroller of July 2, 1914, the comptroller said, in connection with the testimony of the bond and stock loans of the bank:

My statement that your bank had "\$5,100,000, or thereabouts, loaned on bonds and stocks to parties borrowing \$5,000 or more * * *" etc., does not justify your statement that I said that you had "in excess of \$5,000,000 loaned upon safe and ample collateral security."

They had distorted my statements and misrepresented them. The letter continues:

As a matter of fact, I do not find that the loans referred to are "loaned upon safe and ample collateral security."

I think that can be regarded as certainly another criticism of the bank. On page 78, I said:

I find in your list of borrowers of \$5,000 or more the names of some 40 or 50 women to whom the Riggs National Bank appears to be lending approxi-

mately \$1,000,000, equal practically to the entire capital of the bank, on bonds and stocks, many of them of a highly speculative or doubtful character. Some of these loans are inadequately margined, and few, or none, of these borrowers carry any deposit balances with the Riggs National Bank.

On the same page, page 78, I also said:

It appears that the loans, nearly all secured by speculative stocks and bonds, to C. C. Glover, jr., and W. J. Flather, jr., two clerks in your bank, and to H. H. Flather, your cashier, Joshua Evens, jr., your assistant cashier, and W. J. Flather, your vice president, and wife; M. E. Alles, your vice president, and Mary E. Alles, his daughter—

I think it was subsequently said she was his wife, and not his daughter—

E. D. Flather, teller, and G. O. Vass, secretary to M. E. Alles, amount in aggregate, to more than one-fifth of the entire capital of your bank, or more than \$200,000.

I think that could be regarded as certainly another criticism.

In this same letter to the bank I say:

In your letter of the 30th, signed by your president, he says:

"Representing as president of this bank the interests of its depositors, stockholders, and officers, I can not notice the comments and insinuations contained in your letter as I otherwise should."

You and your president are respectfully informed that the letters and communications which I have addressed to your bank or to its president have been in behalf of, and for the protection of, the depositors, and other creditors, and stockholders of the Riggs National Bank, and the "notice" which you and your president are required to take of these letters and communications is to furnish truthful, complete, and unequivocal replies to the questions and interrogatories thus submitted to you. If your officers will but observe the laws, and the rules and regulations of this office (which the records of this department and the reports of national bank examiners, I regret to say, indicate have been, upon divers occasions in the past, and persistently violated and disregarded) anything from your president, either personally or officially, aside from or beyond this is, of course, a matter of indifference to me.

Again, on page 132, volume 1, of the correspondence with the Riggs Bank, I will quote from my letter to the bank of July 22, 1914. I said:

You are hereby admonished that this office strongly disapproves of the policy and practice of having the president, vice president, and cashier of a national bank conduct a brokerage shop, or business, within, and as a part of the business of the national bank, buying and selling speculative and "wild-cat" stocks and other securities on commission and using the bank as the agency for carrying on margin, stocks, and other securities thus bought and sold and dealt in.

The books of your bank show that large sums of money are being loaned on speculative securities to the officers of your bank and to its clerks and employees in these speculations. This office regards this as a demoralizing example to the other employees of your bank.

The CHAIRMAN. Mr. Hogan read that letter into the record, did he not?

Senator PAGE. This is your letter?

Mr. WILLIAMS. This is my letter.

In speaking of the loans made to the cashier of your bank, aggregating \$63,500, you declare that these loans "were secured by high-class, marketable local and out-of-town stocks and bonds, having a market value of \$70,000," although at to-day's prices they barely cover the loan.

Among the "high-class, marketable local and out-of-town stocks and bonds" I note the following: "200 shares St. Louis & San Francisco preferred stock."

Mr. Hogan purported to read that extract from my letter, but I call your attention to the fact that he omitted to give the prices opposite those securities which he read. I shall read the letter as it was.

	Market value.
200 shares St. Louis & San Francisco preferred stock-----	4
100 shares Rock Island Railroad preferred stock-----	

Mr. Hogan omitted that value also. I give the value as $1\frac{1}{2}$.

100 shares Rock Island Railroad common stock.

He also omitted to give on the record the value of that, which is 1.

The CHAIRMAN. Are you giving the market value as at present, or at that time?

Mr. WILLIAMS. At that time. I am quoting my letter. Necessarily, it would be the market value at that time.

200 shares Missouri Pacific Railroad stock, $9\frac{1}{2}$.

Mr. Hogan also omitted that quotation.

200 shares Inspiration Consolidated Copper stock, 18.

350 shares Inter-Continental Rubber stock, $7\frac{1}{2}$.

Among the stocks securing the loans to your assistant cashier, which you approvingly refer to as "recognized stock exchange collateral," I notice—

100 shares American Can, 26.

200 shares Missouri Pacific, $9\frac{1}{2}$.

Among the stocks securing the loans to Vice President Flather of \$63,800 appear 415 shares of Green Cannanea Copper Stock, etc.

Such securities as these I should hardly expect to find in the loans of conservative bank officers and their clerks, who should certainly be expected to scrutinize with special care the collateral placed upon the loans which they may require the bank, whose interests they have sworn to safeguard and protect, to make to themselves.

I note your admission that one of the vice presidents of your bank and your cashier were "interested in, but not liable on," certain other loans (besides their own notes) made by your bank on various collateral, including, among other "securities," Rock Island preferred and common stock, Utah Consolidated Mining stock, Interborough Metropolitan common stock, Pittsburgh Coal common stock, American Linseed, etc.

It appears that for the sake of the commissions collected by your officers in buying and selling bonds and stocks you have been executing orders for women (including Treasury employees), young men, clerks, professional and business men, who have been tempted to engage through you in stock speculations which have proved in various cases costly and damaging, if not ruinous. To facilitate these operations there is, it appears, installed in your bank a private telegraph line connecting you with a stock-brokerage house in New York, and two private telephone lines connecting you with two stock-brokerage offices in Washington.

I again express my surprise that with such a record as that Mr. Hogan should have endeavored to make this committee think there had been no criticism of the bank.

The printed record shows numerous subsequent criticisms of irregular or unsafe transactions and methods which the comptroller's office called upon the bank to remedy, and which I shall be pleased to introduce into the record here, if desired by any member of the committee.

The CHAIRMAN. We will have to leave that to your judgment, Mr. Williams.

Mr. WILLIAMS. Then, if you are uncertain about that, I will reserve the right to produce further criticisms later.

Mr. Hogan has dwelt at much length on the comptroller's criticisms of the Riggs Bank's shortages in reserves. The statement referred to was presented partly as a complete and overwhelming refutation of the claim which had been made by the bank in its letter to the comptroller of July 14, 1914, in which it said—and I ask your special attention to this language, a declaration made solemnly by the bank:

Sometimes, but on very rare occasions and for a very short time—a day or two at most—this bank, as all national banks have at one time or another, fallen below the strict requirement respecting legal reserves. * * * Generally the examinations of this bank by your office and our reports of condition, as well as our own records, will show that we have consistently maintained an excess of reserves.

The printed records of the case show that statement to have been wholly misleading, untrue, and utterly without any foundation.

I ask your attention to page 569, volume 3, of the hearings of February, 1919, which show—

The CHAIRMAN (interrupting). That statement is already in the record.

Mr. WILLIAMS. I am not going back to read that whole affidavit, Mr. Chairman, but in answer to a specific charge I ask your permission to reply to it by giving a brief extract from the testimony before you. It is hardly reasonable to suppose that the members of the committee will remember all of those matters which were introduced in the February hearings.

The CHAIRMAN. No; but they are printed and at the convenience of the committee.

Mr. WILLIAMS. This is from page 569:

Practically continuously from January, 1910, to January, 1914, the reports of condition filed by the plaintiff bank with the comptroller showed a shortage in its cash reserve averaging more than \$150,000—the shortage June 4, 1913, amounting to \$500,363. Said reports also show throughout the said period a further average shortage in its reserve for the period of 30 days prior to the date of practically every report of condition by the plaintiff bank. Attached hereto, marked "Exhibit D," and made a part hereof, tables showing the amount and percentages of said deficiencies.

The CHAIRMAN. All that is already in the record.

Mr. WILLIAMS. I am calling your attention to that. I am giving a specific answer to that charge made by Mr. Hogan.

The CHAIRMAN. Yes, but it is there already as an answer to that charge.

Mr. WILLIAMS. I thought it would perhaps be convenient to have it brought out in logical sequence.

• The CHAIRMAN. Very well.

Mr. WILLIAMS. It continues:

Said section 5191 provides that if a national bank shall for a period of 30 days fail to make good its deficiency in reserve, after notification from the comptroller to that effect, the comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up its affairs.

Mr. Hogan's strictures and criticisms of the table of reserves on page 592 of the February, 1919, hearings were unfair and misleading in the extreme. That table only purported to show the shortages in reserve. It did not undertake to give the occasions on which

the reserves, or a portion of them, were in excess of legal requirements. There is no more reason why that table should have shown such excess reserves as the bank may have had on particular occasions than there would have been for the comptroller to have shown a list of all the loans made by the bank which were within the legal limit when undertaking to present a list of excess loans on a given date.

A further illustration of Mr. Hogan's misleading and garbled statements is given on page 44, where he says:

Mr. Williams states, taking credit therefor to himself, that from a period ending with 18 months after his entrance into the comptroller's office, the Riggs National Bank has been conducted within the law, and in a splendid way.

No such statement was made by me. I never said that the Riggs Bank had been conducted in a "splendid way," but I did say, in my decision renewing the charter for the bank, page 478, hearings of February, 1919, that the report of an examination made at that time showed its condition to be "satisfactory," and that in view therefore of the solemn pledge given by the directors of the bank that they would give special attention in the future to the manner in which the officers and employees of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future would be conducted in strict compliance with the national-bank act and all the laws of the United States and in conformity with the lawful rules and regulations and requirements of the office of the Comptroller of the Currency, and to take all such action as should be necessary to secure that end, etc., a renewal of the charter should be granted. That statement relative to its then condition was made after the bank had ceased its multitudinous infractions of the law and its many irregular practices and dangerous dealings.

I ask your attention to Mr. Hogan's extraordinary disregard of facts as again illustrated in the following statement which he made, as shown on page 46 of part 2 of the recent hearings:

Throughout the correspondence which followed, in so far as it was humanly possible to do so, down to April, 1915, regardless of the character of the request, every request was complied with.

That was a very plain, sweeping, and definite statement. The period during which he claims to have complied with "every request" embraced the call for a special report made on January 22, 1915, for information in regard to the dummy loans made by the bank for the benefit of its officers and employees and for other loans made to those same officers and employees and members of their families. It was the positive and flat refusal of the bank to divulge that information which led to the assessment by the comptroller of the fine of \$5,000 in the comptroller's letter of March 30, 1915. Yet he informed the committee that every request was complied with as far as it was humanly possible to do so.

The CHAIRMAN. If I remember correctly, that very matter was brought up before he concluded his testimony. There was a dispute as to your right to have any more information.

Mr. WILLIAMS. This is not the dispute, as I understand, as to the right, but he says he gave it regardless of whether he was obliged to do so or not.

The CHAIRMAN. Well, proceed. I do not recollect just what it was.

Mr. WILLIAMS. To show his flagrant inconsistency, on the following page, page 47, Mr. Hogan declares, after asserting that all requests for information had been so faithfully complied with, that the comptroller's fines imposed for refusal to surrender reports aggregated \$160,000 against the bank, a statement also obviously fictitious and untrue. The comptroller had notified the bank that it would be liable, as provided by statute, for certain penalties at the rate of \$100 per day if it should refuse to send the special reports called for, but he never at any time assessed a single penalty save the penalty of \$5,000 assessed on March 30, 1915, for the bank's refusal to give information with regard to dummy loans made by the bank to its officers and employees, and for other information asked for in that letter.

Therefore, Mr. Hogan's statement that the comptroller "crawled," to use his own elegant language, was unjustified, and only another expression of his malice.

The misleading character of Mr. Hogan's statements is again evidenced on page 48, where he says:

So, whenever he imposed, or told us he imposed, these penalties of \$100 a day—and, mark you, \$100 a day for each question not answered was the character of some of his impositions—he would send us a list of, say, 30 interrogatories in quadruplicate.

That statement is unwarranted, for only upon one occasion was the list of 30 interrogatories submitted, and that was necessitated by the refusal of the bank to furnish information which had been repeatedly called for, and in regard to which the bank officials had equivocated, dodged, and avoided a frank and proper reply.

On page 52 of Mr. Hogan's testimony he again flatly charges that the comptroller had actually imposed about \$160,000 of penalties. The language of the comptrollers' letters and the records show that statement to have been false, as heretofore stated.

His statement on page 53 is also false, where he says that the comptroller "had over and over again notified us that he had imposed upon us" numerous fines to which he was referring.

The CHAIRMAN. Mr. Hogan drew his conclusions from the correspondence which passed between you and the bank, and we have all that correspondence.

Mr. WILLIAMS. I beg your pardon, Mr. Chairman. Of course, I understand that to be your view. But I have stated that his conclusions, as stated to this committee, were not and could not have been drawn from the correspondence which passed between this bank and the comptroller's office.

On page 54 of his statement Mr. Hogan makes a sweeping and untrue declaration that the Riggs Bank had won the equity case "on every single, solitary question which was before the court save one."

And the falsity of his utterances is further illustrated when he claims, on page 54, that he can "read to you 20 pages where that man"—referring to the comptroller—"uses words which afterwards he said he did not mean."

That statement is wholly untrue, and Mr. Hogan will find it impossible to point to a single place where such a statement was ever made by me.

Mr. Hogan's declaration or intimation that I was either acquainted with or participated in the offer Mr. Untermeyer is alleged by him to have made, and which Mr. Untermeyer will himself answer in due course, to give the bank immunity from indictment in return for the resignations of three of its officers, is untrue and wholly without foundation as far as I am concerned. Whatever conversation Mr. Untermeyer may have had with Mr. Hogan or Mr. Cromwell, or both, as claimed by Mr. Hogan, he will advise you of when he appears before this committee on Monday.

The CHAIRMAN. He was acting as your counsel?

Mr. WILLIAMS. He was not, sir.

The CHAIRMAN. For whom was he acting?

Mr. WILLIAMS. I do not know. Mr. Hogan gave me the first information that I had about that interview. Mr. Untermeyer had been counsel for the Secretary of the Treasury and myself in the equity proceedings. The equity case was over, had been submitted to the judge, and, as I understood Mr. Hogan to say, it was some weeks after the close of the equity trial, and when Mr. Untermeyer's services to me and Secretary McAdoo as counsel had ended, that he had this alleged interview with Mr. Hogan and Mr. Cromwell, of which I knew nothing, and which was never reported to me.

The CHAIRMAN. You had not seen him or had any conversation with him in regard to it?

Mr. WILLIAMS. I knew nothing of it whatever. I did not know Mr. Untermeyer had ever seen Mr. Cromwell, or that he had ever discussed this subject with Mr. Hogan.

The CHAIRMAN. You never discussed it with Mr. Untermeyer?

Mr. WILLIAMS. I never knew of the incident until Mr. Hogan recited it here the other day.

The CHAIRMAN. No; but you never discussed the matter of staying the criminal proceedings in the event the directors would resign?

Mr. WILLIAMS. It never entered my mind to do so. It never occurred to me it was a matter which would come within Mr. Untermeyer's jurisdiction. It never occurred to me to discuss it with him. The question of the indictment for perjury was with the Department of Justice, to be handled by them as an entirely separate matter, and Mr. District Attorney Laskey has told you that I had no connection with it whatsoever.

The CHAIRMAN. The district attorney testified that you discussed the matter with the Attorney General two months before the indictment was found.

Mr. WILLIAMS. If I may state what I understood the district attorney to say, it was that at the time that that false affidavit was filed, which was during the equity trial, the subject of that false affidavit came up at one of the several conferences which were being held during the course of that trial between the representatives of the Department of Justice and counsel in the case, at which I was present.

The CHAIRMAN. The record will show what the district attorney testified to.

Mr. WILLIAMS. And it was the natural and obvious thing to do at that time for me to watch the equity trial, and Mr. Laskey has stated that at one of the conferences of counsel the perjured affi-

davit, which had just been introduced, was the subject of discussion. But the question of an indictment for perjury was a matter entirely beyond my province.

The CHAIRMAN. The district attorney testified that your examiners appeared before the grand jury as witnesses.

Mr. WILLIAMS. I understood he also testified that Mr. Ailes appeared before the grand jury as a witness in the perjury case. It is customary, Mr. Chairman and gentlemen, when the comptroller's examiners make references to the Department of Justice in regard to infractions of the national bank act, or criminal violations of the law, for them to appear as witnesses before grand jurors, or other jurors, and they are frequently told by the court to appear. It is a part of their duty. They have to do it whether they will or not. Sometimes it is a matter of serious inconvenience, in taking them from their examining duties; but they have to respond to the call of the court.

The CHAIRMAN. Mr. Untermeyer was your counsel in the civil proceedings

Mr. WILLIAMS. He was one of counsel.

The CHAIRMAN. He had also been your counsel at other times, had he not?

Mr. WILLIAMS. I do not recall, Mr. Chairman, that Mr. Untermeyer has ever acted as my counsel in any other matter.

The CHAIRMAN. It seems to me it was testified he had something to do with the Uniontown bank.

Mr. WILLIAMS. He was not my counsel. Mr. Jones has testified that he was on the other side, and complaining of my actions.

The CHAIRMAN. He was on the other side?

Mr. WILLIAMS. He was not representing the comptroller's office.

The CHAIRMAN. You have had no occasion to employ him at any other time except in this Riggs matter?

Mr. WILLIAMS. I recall none other, either officially or personally. But he certainly was not counsel for me or the comptroller's office in any matters relating to the Uniontown bank. He was not acting as counsel for me in any way, and never has, as far as I recall.

The CHAIRMAN. But for the trustees of this stock?

Mr. WILLIAMS. No. I beg your pardon, Mr. Chairman; I think, if my recollection of the testimony is correct, it was stated that Mr. Thompson, the old president of the bank, or his interests, or Mr. Thompson's creditors, had in some way employed Mr. Untermeyer.

The CHAIRMAN. The record will show. I do not remember.

Mr. WILLIAMS. Mr. Untermeyer is a very able and resourceful lawyer, stands high in his profession, and I should feel that any cause committed to his care would be well looked after, but I do not think that I have ever had the pleasure of having him act as my counsel in any case except the Riggs equity case, where he was the counsel for Secretary McAdoo, the Treasury of the United States, and myself.

The CHAIRMAN. Proceed.

Mr. WILLIAMS. Mr. Trimble has just handed me the subpoena addressed to him by the supreme court of the District holding a criminal court, September 21, 1915, summoning him to appear.

The CHAIRMAN. I do not think it is necessary to put that into the record.

Mr. WILLIAMS. All right. A few moments ago I referred to the extraordinary claim made by Mr. Hogan to the effect that the Riggs Bank had won in the equity case. My secretary has just called my attention to the fact that I inadvertently stated that Mr. Hogan had claimed that the Riggs Bank had won on every single, solitary question which was before the court, save one. I should not have said "save one." I should have said "every one." There was no reservation even by Mr. Hogan. His language is found on page 54. "Every one" was his insupportable claim.

The CHAIRMAN. The record will show what points were won and lost. I do not think it is really worth while to take up the time of the committee discussing that finding of the court.

Mr. WILLIAMS. You mean the decision?

The CHAIRMAN. The decision of the court. That is in the record.

Mr. WILLIAMS. On page 58 of the testimony Mr. Hogan declares that I made the statement:

If you will waive the question about the \$5,000 and let that fine stand; if you will go to the board of directors and have the board of directors transmit to the Comptroller of the Currency the resignation of Mr. Glover, Mr. Alles, and Mr. Flather; if you will dismiss that equity suit and agree to abide by the law as laid down by Judge McCoy and take no appeal, then I will give you this charter. Otherwise, I will not.

The chairman asked Mr. Hogan: "Was that a written proposition?"

Mr. Hogan replied: "Yes, sir; that was a written proposition and you will find it here," etc.

Subsequently, however, Mr. Hogan "crawled," for when Senator Hitchcock again asked him, "I ask whether that demand was made in writing?" Mr. Hogan then replied "No,"—eating the words which he had just uttered a few moments before—"The demand was not made in writing, but the ultimate result was put in writing, in a report from the bank to Williams, which writing, however, was dictated by Williams."

I call your attention to the fact that the ultimate result to which Mr. Hogan appears to allude was wholly different from the demand which he said a few moments before that I had made in writing, and it did not involve the waiver of the \$5,000 fine.

Mr. Hogan tells you (page 61), between 1897 and 1902 the bank conducted its real estate, brokerage, and loan business in the name of Glover, Hyde, Johnston, and others, and that the partnership had a capital of \$30,000, but he does not tell you whether the firm paid the bank rent or any portion of the clerical expenses, though he will admit that profits which Mr. Glover and his partners divided among themselves in that period, from their operations, amounted to more than \$45,000. Several years after 1902 the bank, it appears, openly conducted a real estate and brokerage business. This business, it seems, had assumed considerable proportions, for National Bank Examiner Hanna, who is now chief examiner for the New York clearing house, in his report to the comptroller of August 24, 1899, said:

The president and two vice presidents compose the firm of Glover, Hyde & Johnston, who carry on an extensive real estate loan business at the bank, making their profits from commissions. The cash for making these loans is usually furnished temporarily by the bank for one or two at a time, and then the loans are sold to customers of the bank, without recourse on the firm, as

investments. I would estimate at least \$2,000,000 of this paper to be outstanding, the collection and management of which is handled by the collection department of the bank.

On April 20, 1903, referring to the bank's operations, National Bank Examiner Albertson, now vice president of the Mechanics and Metals National Bank of New York, criticized the bank as follows:

It is represented on the Washington Stock Exchange by Charles C. Glover, its president, and W. J. Flather, its assistant cashier. While a source of profit to the association, it is nevertheless in excess of its power, and in this instance is open, notorious, and flagrant.

Referring to the stock and bond business conducted by the bank, he added:

This association daily exceeds the powers granted to it by the purchase and sale of stocks and bonds on commission.

The irregular practices of the bank were criticized in numerous examinations by the same examiner.

On April 22, 1905, he said:

The attention of the department has been heretofore directed to the fact that this bank is engaged in the purchase and sale of stocks, bonds, etc., on commission. This is evidenced by its advertisements in the daily papers and by its books. Seats in the local stock exchange are not owned by the bank but by two of the officers of the bank individually. It has been a source of profit to the bank and no loss has been incurred.

In the examination of May 22, 1906, National Bank Examiner Owen T. Reeves, to whom Mr. Hogan referred very feelingly, repeatedly during his testimony called attention in his report to the following direct loans made by the Riggs National Bank to its vice president, assistant cashiers, paying tellers, receiving teller, ladies' teller, exchange teller, note teller, general bookkeeper, and 34 other bookkeepers and clerks, aggregating more than \$358,000, or more than 35 per cent of the bank's entire capital stock:

Examination of May 22, 1906:

Direct liabilities of officers:

Vice President M. E. Ailes	\$34,788.95
Assistant Cashier W. J. Flather	74,000.00
Assistant Cashier H. H. Flather	47,537.50
Paying Teller D. Rittenhouse	600.00
Paying Teller D. M. Kindelberger	40.00
Receiving Teller A. M. Nevius	1,105.00
Ladies' Teller Herman Bestor	56,500.00
Exchange Teller E. D. Flather	3,010.21
Note Teller W. A. Giesekeing	28,000.00
General Bookkeeper Joshua Evans, Jr	11,039.88
34 bookkeepers and others	101,095.09

Now, Mr. Chairman and gentlemen of this committee, I would like for you to ask yourselves what your impressions would be if you had found that condition of things in any national bank.

The CHAIRMAN. That was in 1906?

Mr. WILLIAMS. Yes. It was the criticism made by Mr. Owen T. Reeves, national bank examiner, to whom Mr. Hogan has so frequently alluded. Was not that time to raise the red flag of danger? Nearly every officer and employee of the bank was using its funds in stock speculations. He says, after naming the vice president, "Both

assistant cashiers, two paying tellers, the receiving teller, the ladies' teller, the exchange teller, the note teller, the general bookkeeper, and 34 bookkeepers, and other clerks."

Mr. Chairman and gentlemen, that was an alarming condition of things. Those loans were made largely upon speculative stocks and other securities, the whole office force of the bank apparently being engaged in speculation.

Referring to those large loans, the examiner said the large loans to the Flather brothers and other minor officials of the bank represented stock purchases or speculation.

The foregoing statement of Examiner Reeves is a flat contradiction of the apology which Mr. Hogan offered for the note teller's embezzlement. He had just read to your committee my statement to this committee in February, 1919, in which I had said:

Mr. WILLIAMS. Oh, I don't recall as to whether—yes; I will say there was an atmosphere of speculation in the bank at that time which was exceedingly unhealthy. At a previous hearing reference has been made to one case where a note teller, I believe, embezzled \$50,000 or \$60,000 of the bank's money. I presume he felt that as the officers of the bank were speculating, that the president of the bank was buying and selling stocks and the vice president was buying and selling stocks, and others, that he could speculate also. The result was that there was an embezzlement; in fact, I think there have been two embezzlements in that bank from time to time in the past. But that was, as I say, I think the example of having the officers of the bank engaged in stock speculations, which was an exceedingly unhealthy one for the bank.

And, commenting upon my statement, Mr. Hogan said:

Before he—

referring to me—

made that statement he could have ascertained the facts, could he not? What impression did he want to create here except that this man Giesecking had become a defaulter by speculating in consequence and as a result of the example set him by officers, when, if he had taken the slightest trouble to find out the truth, he would have learned a remarkable thing—that stock speculation had nothing to do with Giesecking's defalcation. Giesecking was not a stock speculator.

The fact is, this embezzling official had been borrowing from the bank in large or small sums for 10 years previously or more, and had also been stealing from the bank for practically all of that time, and he was reported and shown as borrowing from the bank on the date of Mr. Reeves's examination, to which I have referred, \$28,000.

I hardly think, Mr. Chairman and gentlemen, that it is necessary for me to dwell much upon this condition and these facts which I am bringing to your attention. They are too patent and obvious to need comment before men of your large experience with affairs and knowledge of what correct and sound banking calls for.

The misleading and disingenuous statements made by the bank to the comptroller's office were illustrated by an incident which was brought out by Examiner Reeves in his report of May 22, 1906. In that report he said:

The bank carries a demand note signed Joshua Evans, jr., general bookkeeper, for \$11,939.88. This represents the following stocks formerly carried in "stocks, sec., etc." 1757 Col. Title Ins. Co., 109 Pa. Tel. Co., 155 Peoples Ins. Co., 27 Real Est. Ins. Co., and still belong to the bank. The note shows a curtailment of \$8,523.42, recently, proceeds of 235 Arlington Ins. Co. sold.

I place in the record the following letter from the Riggs Bank to Comptroller Ridgley, dated December 8, 1905, from pages 50 and 51 of volume 3 of miscellaneous letters:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., December 8, 1905.

Hon. WILLIAM B. RIDGLEY,
Comptroller of the Currency, Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 1st instant, calling attention to the report of the examination of the Riggs National Bank, of Washington, D. C., made on the 20th ultimo.

We note what you say with reference to excess loans, and have taken steps to comply with your request in this respect.

Loans secured by real estate notes, to which you refer, we will endeavor to dispose of as soon as the same can be done. In this connection it may be said, however, that the loans are good in each instance without the real estate notes which we hold as collateral. The latter may be properly regarded as incidental security.

A list of all loans will be submitted to the directors at monthly meetings, as suggested by you.

Now, Mr. Chairman and gentlemen, I ask your particular attention to this paragraph:

We note what you say with reference to shares of stock of various corporations owned by this bank. In compliance with your former request we have practically closed out all our stocks, and the rest will be disposed of as soon as practicable.

The comptroller's office drew the conclusion that the stocks had been sold as they had been instructed to sell them. There was no doubt about it. We assumed, of course, that the stocks had been sold. We took the bank's word for it.

Continuing that paragraph:

Some of the stocks referred to were taken over from the old firm of Riggs & Co., in liquidation.

And held from the organization of the bank in 1895 or 1896 up to December, 1905, about 10 years ago.

Continuing this letter:

We have read the letter of the Comptroller of the Currency, dated December 1, 1905, to which this is a reply.

Very respectfully,

Chas. C. Glover, Arthur T. Brice, M. E. Ailes, H. Hurt, J. R. McLean,
James M. Johnston, Thos. Hyde, Wm. J. Flather, R. Ross Perry,
Thomas F. Walsh, Jas. Stillman, F. A. Vanderlip.

Mr. Chairman, I do not believe that all of those directors would have signed that letter if they had known what the true facts were. I believe that they took the word of the officers of the bank that what they said they had done they had done. I now ask your attention to the following paragraph from a letter which Comptroller Ridgely had written to the bank on December 1, 1905:

It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations.

I have shown you that the bank had represented to the comptroller's office that those stocks had been disposed of. The bank examiner, Mr. Reeves, goes beneath the surface and finds out that they had not been disposed of, but were carried on a dummy list in the bank on a note of one of its junior clerks. When Mr. Reeves dis-

covered this deception, Acting Comptroller Kane wrote the following letter to President Glover, under date of June 6, 1906, calling attention to over \$600,000 of unlawful loans carried, and informing the bank that despite the assurances given in its letter of December 8, 1905, that "we have practically closed out our stocks," the same stocks were still largely being carried through a dummy loan of a junior clerk. The letter from the deputy comptroller on June 6, 1906, is found on page 53 of volume 3 of miscellaneous correspondence.

(The letter referred to is as follows:)

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, June 6, 1906.

MR. CHARLES C. GLOVER,
President the Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank, made on the 22d ultimo, has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes.

W. B. Hibbs & Co.....	\$110,000.00
Maxwell Woodhull.....	\$100,000
Maxwell Woodhull et al.....	50,000
	150,000.00
Thomas L. Hume.....	142,263.75
American Security & Trust Co.....	200,000.00

Three of these loans were excessive at the time of the last examination, when you were instructed to reduce them.

The loans to George T. Dunlap, James D. Richardson, Mary E. Patten, and J. Maury Dove, which were reported as excessive at the time of the previous examination, have still the appearance of excessive loans slip up into accommodation notes for amounts within the limit, the aggregate still remaining about the same. If these notes are accommodation notes made for the benefit of any one borrower, they should be included with the borrower's liability in fixing the limit, as it is unlawful to evade the statute by indirect methods.

The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Company, Peoples Insurance Company, and the Real Estate Insurance Co., heretofore carried by the banks in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of.

Efforts to dispose of loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that they have read the letter and what steps will be taken to correct the matters called to their attention therein.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

In his report of May 31, 1909, the same examiner, Mr. Owen T. Reeves, criticized the Riggs Bank in the following language:

As many times stated by this examiner, the system of keeping the books and accounts, especially the method of handling the collateral loans, is old-fashioned

and sloppy. For a large and flourishing bank, it lacks all the features of system employed in well-managed city banks.

The same examiner, in his report of November 28, 1910, said :

As stated in former reports, the system of keeping the books and accounts lacks all the features of a city bank. Methods are antiquated and cumbersome.

In the examination of October 15, 1913, the last examination prior to the examination by Examiner Trimble in May, 1914, National Bank Examiner Goodhart stated :

Considerable difficulty was experienced in balancing the notes due to the fact that no man seems to have control of them and as a result they were found in several different departments of the bank.

This same examiner then called attention to about 500 shares of different speculative stocks which were being carried among the bank's assets as cash, and which included the item of \$6,562.50, due by President Glover for the purchase of 200 shares of American Can. and about \$50,000 due some other customers for stocks and bonds purchased by the bank. This examination had been made about six months after the examination by Examiner Hann. That is a different examiner from Examiner Hann, who is now the New York clearing house examiner. Mr. Hann's examination was made in May, 1913, and has been freely praised by Mr. Hogan. Mr. Hann's examination was not complete, and he failed to detect or call attention to various irregularities which were subsequently brought to light.

Mr. Hogan, on page 106, criticized the statement in my letter of November 23, 1914, that :

I regret to have to advise you that I have reason to believe that in a number of cases oaths contained in the aforesaid certificates have been violated, and that the declarations in this certificate, in certain cases, were false.

The investigation which followed disclosed that one of the directors of the Riggs Bank had been disqualified for nearly three years because all during that period he had pledged his entire holdings, 10 shares of Riggs stock. It was also shown that Mr. Ailes had incorrectly certified that he was the owner of 1,114 shares of stock, or approximately 1,000 more than he actually owned himself. The bank examiner had discovered irregularities in connection with the directors' oaths, and inquiry which this office thereupon made was thoroughly justified by subsequent developments.

On page 99 of the present hearings Senator Frelinghuysen asked Mr. Hogan :

Is there anything in the record that shows undue favoritism by previous administrations of the Riggs Bank or any other bank ?

To which Mr. Hogan replied flatly and promptly :

There is not ; there is nothing upon which to found the statement that he wrote.

As a complete and overwhelming contradiction of that statement I again ask your attention to page 540 of the February, 1919, hearings, where Secretary McAdoo, in his affidavit, shows that :

On April 11, 1903, five days before his (Mr. Ailes's) resignation as Assistant Secretary of the Treasury at a time when his arrangements with the Riggs Bank had presumably been effected, he deposited with the Riggs Bank funds of the United States Government to the amount of \$2,900,000, which, together

with \$100,000 that was then on deposit with the Riggs Bank, made a total deposit of Government funds of \$300,000,000, all without interest.

On the same page Secretary McAdoo shows that:

During that time there were 11 national banks in the City of Washington, and the deposits of the Riggs Bank averaged not exceeding 39 per cent of the total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874. The average balance of Government funds on deposit in the Riggs Bank from the time the said Aftes became connected with the bank in April, 1903, until March, 1907, was \$2,018,957.

Now, Mr. Chairman and gentlemen, I feel persuaded that you will agree with me that it would be impossible to desire a more complete refutation than this of Mr. Hogan's empty claim that there had been "no undue favoritism by previous administrations to the Riggs Bank." The records of the Treasury also show numerous other instances of favoritism to that bank.

Mr. Chairman, I do not think it worth while for me to dwell upon that incident. It shows that the Riggs Bank during that period of years had been favored with nearly eight times as much Government money as all the other national banks of Washington combined. If that is not favoritism, what is it? The vice president of the bank, stepping into the bank five days after he resigns as Assistant Secretary of the Treasury, having charge of fiscal bureaus—the case is so obvious that I feel as if it would be a waste of your valuable time for me to enlarge upon it.

Mr. Chairman, Examiner Trimble has just called my attention to the fact that as he heard my testimony in regard to the embezzlement of some sixty or sixty-five thousand dollars by a paying teller, he was uncertain whether I made it clear that the embezzlement had been going on for 10 years up to the time of its discovery a year or two ago, or for 10 years prior to the time that he was reported as borrowing about \$28,000 from the bank by Examiner Reeves. I do not know my exact language, but what I intended to show was that during these past 10 years while he has been borrowing from the bank he has also in this same period been embezzling funds of the bank in an aggregate sum of some sixty or seventy thousand dollars and that his loans secured by bonds and stocks have figured in the bank's list of loans from time to time throughout that period.

Mr. Chairman and gentlemen, Mr. Hogan complained about and criticized the comptroller's office for what he claimed to be its omission to examine national banks in Washington twice a year, as required by law, and he claimed that the comptroller had been guilty of a serious disregard or violation of law in that connection. He claimed in his testimony before the committee that the comptroller's office had not examined all of the banks of Washington in the year 1915—

The CHAIRMAN. What page of Mr. Hogan's testimony?

Mr. WILLIAMS. I am looking now at page 114. On page 115 the chairman says:

Mr. Hogan, you stated that the other national banks were not examined during the year 1915.

Mr. HOGAN. To my understanding, I said.

Now, Mr. Chairman, at another part of his testimony he goes on and says that they were not examined, as I understand, twice. There is a statement that they were not examined at all.

Here is a report from the comptroller's office as to what the facts were regarding the examination of local national banks. Let me, however, call your attention to the fact that prior to the passage of the Federal reserve act of December 23, 1913, the law provided for the examination of national banks, such examinations to be made at such times as in the judgment of the comptroller might be expedient or necessary. Prior to the passage of the Federal reserve act there was no requirement in the law that national banks should be examined twice each calendar year. That provision, however, was inserted in the Federal reserve act and is a part of the law as it now stands. It had been the custom to examine them, as a general rule, about twice a year.

Mr. Hogan failed to tell you that requirement arose from a statute which had just gone into effect about the beginning of 1914, which involved the reorganization and enlargement and extension of the examining force of the comptroller's office, and I do not believe that any fair-minded critic would charge the comptroller's office with neglect of duty if he had been unable to put the machinery in operation to provide for the absolute examination immediately of all of the 8,000 banks twice a year, as the law provides. Furthermore, you will find that the law in some States, or the ordinances, provide that each ward shall have a fire engine, or a certain number of fire engines in the ward. That does not mean to say that if there should be a fire in some other ward that that particular fire engine and the men from the fire department stationed there should not go to the scene of the conflagration; and no sane person would criticize the fire department of one ward for going to a large fire in another ward.

It is true that with the numerous additional burdens and responsibilities which were thrown upon the comptroller's office following the inauguration of the Federal Reserve act, in the latter part of the year 1913, we were unable instantly to arrange for the examination twice that year of all national banks in the entire country, although, as a rule, they were pretty well examined. In Washington we did provide that every national bank was examined, not only in the year 1913, but in the year 1914, and in the year 1915.

Mr. Hogan's implication to the committee that it was not done in either 1914 or 1915 is untrue. They were examined at least once each year—every bank in the District, but they were not examined twice for the reasons which I have endeavored to make apparent.

The CHAIRMAN. If you have it there, just put into the record a statement of what banks were examined once, and what banks were examined twice in 1915.

Mr. WILLIAMS. With your permission, I will put in the record a list showing the number of examinations for each bank in the years 1913, 1914, and 1915.

The CHAIRMAN. Very well.

Mr. WILLIAMS. I call your attention to the fact that I was not Comptroller of the Currency in the year 1913, in which year there were a number of banks which were only examined once, as there were in the year 1914. I think it is fair that that statement should be made.

The CHAIRMAN. You have got there a list of all the banks?

Mr. WILLIAMS. National banks.

The CHAIRMAN. All that come under your supervision?

Mr. WILLIAMS. No; all national banks, and building fund associations, and trust companies, also, to a certain extent, come under the comptroller's supervision. I am giving you all the national banks.

The CHAIRMAN. Very well; that is enough.

(The statement referred to by the comptroller is as follows:)

DATES OF ALL EXAMINATIONS OF NATIONAL BANKS IN WASHINGTON, D. C., FOR THE YEARS 1913, 1914, AND 1915.

Farmers Mechanics of Georgetown, D. C., 1913, August 26, 1914, February 27, October 28; 1915, October 21.

Second. 1913, September 11; 1914, June 22; 1915, March 8.

American. 1913, March 27; 1914, March 4, December 16; 1915, October, 25.

Columbia. 1913, August 29; 1914, June 1; 1915, March 4.

Commercial. 1913, April 7; 1914, April 28; 1915, February 23.

District. 1913, March 10; 1914, April 22; 1915, February 3.

Federal. 1913, September 6; 1914, June 10; 1915, March 2.

Franklin. 1913 (not opd); 1914, April 4, September 23; 1915, May 24.

Lincoln. 1913, September 4; 1914, June 12; 1915, March 19.

National Bank of Washington. 1913, February 3, July 9; 1914, June 17; 1915, March 11.

National Capital. 1913, August 28; 1914, February 25, October 20; 1915, October 12.

National Metropolitan. 1913, February 10; 1914, February 27, November 10; 1915, October 14.

Riggs. 1913, May 15, October 16; 1914, May 18, November 13; 1915, August 16, December 30.

The CHAIRMAN. I understood you to say they were all examined once?

Mr. WILLIAMS. At least once.

Mr. Hogan offers as an excuse for the refusal of the Riggs National Bank to permit the national bank examiner to get certain information from the books of the bank in June, 1914, relative to bank balances, the claim that several years previously a previous Comptroller of the Currency had issued orders to national bank examiners to desist from the drawing of deposit balances from the national banks, or from national banks in certain places—I do not know whether it covered absolutely the whole country, or whether there were any exceptions. I ask your special attention to the fact that Comptroller Murray's circular of December 20, 1909, to which he appears to refer, was addressed to all national bank examiners, and instructed them that from that date and thereafter they were to take no records of deposits of national banks, and to destroy all records they had taken relative to deposits of national banks. The records of this office do not indicate in any way that this circular ever went to national banks, or was ever intended for national banks. On the contrary, it has been the practice of the office for years to regard communications to national bank examiners as strictly confidential communications for them only, and not to be shown or exhibited to national banks which they are examining. The comptroller's office has discovered, though, that one or more communications in the past, intended for bank examiners, in some way or another had gotten into the custody of the officers of the banks; and I recall one occasion during the course of this correspondence where the comptroller's office was surprised to find one of these confidential communications in the possession of the officers

of the Riggs Bank, and endeavored unsuccessfully to find out how they had obtained it.

The CHAIRMAN. What was it; do you know?

Mr. WILLIAMS. It was some official communication, intended for examiners only. I forget the particular one, but I can find it.

The CHAIRMAN. Before I forget it: Did you examine the other national banks twice in 1915, outside of Washington?

Mr. WILLIAMS. As a rule, yes; not in all cases. As I have explained, we had not gotten the machinery effected to enable us to make complete examinations of all the national banks.

The CHAIRMAN. Mr. Hogan claims that you made an exception of the banks in Washington.

Mr. WILLIAMS. I am sorry to say that our equipment of examiners was not sufficient to enable us to give two examinations to all the national banks, although we did it as far as practicable.

The CHAIRMAN. Were there many banks that year, outside of Washington, that were not examined?

Mr. WILLIAMS. I think there were probably several hundred.

The CHAIRMAN. But that is all?

Mr. WILLIAMS. What?

The CHAIRMAN. Not more than that?

Mr. WILLIAMS. For example, here is a memorandum from which it appears that in New York City there were 33 national banks there, and 29 of them were examined once, and only 3 examined twice, owing to the pressure upon the force. In Louisville, Ky., there were 8 national banks; 5 of them examined once, and 3 examined twice. In Dallas, Tex., there were 5 national banks; 4 examined once, and 1 examined twice. In St. Louis there were 7 national banks; 5 examined once, and 2 examined twice.

So it was merely that we had not been able——

The CHAIRMAN. The total number of banks that were not examined twice was small in proportion to the number examined once?

Mr. WILLIAMS. I can give you that information if you would like it.

The CHAIRMAN. No; I just asked you——

Mr. WILLIAMS: I should say there were several hundred; not many. You will find in New York that the proportion of banks examined twice was about the same as in Washington, as I read it. In St. Paul, probably the same; St. Louis about the same, I guess. If you wish any further figures——

The CHAIRMAN. That is sufficient for my purpose.

Mr. WILLIAMS. I remind you, Mr. Chairman, that the Federal reserve system was only put into effect in the autumn of 1914, and the country divided into 12 examining districts, under the charge of 12 chief examiners. The readjustments were in process and we had not built the force up to a point where we could carry out fully the requirements and provisions of the law in that respect; but I do not think there was any negligence on the part of the comptroller's office in that matter. They were proceeding as rapidly as they could with the force at hand.

Now, Mr. Chairman, I want to call your attention to another exceedingly disingenuous and misleading statement which was emphasized before this committee by Mr. Hogan. On page 83 he quotes a list of the loans which had been made to the four leading officers

of the Riggs National Bank up to the time that this controversy began. He charges that that statement willfully produced, and was intended to produce, an incorrect and exaggerated impression. His charges are willfully and knowingly false, in my opinion, as I will endeavor to show you.

He says, at page 84:

I will show you the scurrilous criticism of those loans when they were made in other banks, although he did not criticize the other banks.

We will assume Mr. Ailes had \$75,000 collateral, and he borrowed \$50,000 on his note. I illustrate this by writing because I think you gentlemen can follow it. At the end of a quarter he makes a \$5,000 curtail in addition to paying interest, and gives a new note for \$45,000. At the end of the next quarter he makes a \$5,000 curtail, and gives a new note for \$40,000. At the end of the next quarter, in order to make this short, let us say he makes a \$10,000 curtail, and gives a new note for \$30,000. He has borrowed \$50,000, and he has been making inroads into it. Williams takes those notes, each one of those renewals, and he says Mr. Ailes borrowed \$165,000, and in that way in 18 years he reaches the alarming total of \$2,500,000 borrowed by Mr. Glover, or \$584,000 borrowed by Mr. Ailes.

Mind you, he says "in that way"—in other words, he charges that I had exaggerated by that method the loans made by Mr. Ailes and Mr. Glover three and three-tenths times; in other words, that when they would borrow \$50,000 I charged they were borrowing \$165,000, or three and three-tenths times more than they borrowed.

To begin with, I wish to say that the table showing these loans was not prepared, obviously, by me. That table was prepared by the bank, was it not, Mr. Trimble?

Mr. TRIMBLE. Prepared from a list furnished by the bank.

Mr. WILLIAMS. I mean the table from which these loans were gotten was prepared by the bank; and I would suggest that here is the original table of the list of loans from which the table was prepared, and if you desire to do so, I would suggest that you print it in the record.

The CHAIRMAN. Just in a word, Mr. Williams, you can state to the committee what percentage of the loans were as indicated by Mr. Hogan.

Mr. WILLIAMS. I have asked the national-bank examiner to make an analysis of the loans and find out, if possible, to what extent, if any, loans were increased by such renewals. Mr. Hogan states in his testimony, or admits in his testimony, that in presenting that original list the comptroller in that statement had called attention to the fact that there might be some duplications on account of loan renewals. He said it was placed in an obscure place. That statement is false and misleading, because it is in the body of the text and as prominent as anything else connected with the statement, and intended to be for the notice of anyone reading it, in the event that there might have been such renewals. I knew nothing as to what the renewals were. Here is a memorandum which the national-bank examiner has prepared in response to my request—

The CHAIRMAN. It seems to me entirely unnecessary to print that long document in the record, if you can state what percentage of them are renewals.

Mr. WILLIAMS (reading):

Memorandum for the comptroller.

Referring to Mr. Hogan's claims that the borrowings of President Glover and Vice Presidents Flather and Ailes of the Riggs National Bank, from the date

of its organization to 1914, as set forth in your decision upon the application of the bank for an extension of its charter, were made up largely of duplications due to the inclusion of both original loans and renewals thereof, I find from an examination of the original reports of the bank from which the figures appearing in your decision were obtained, the following to be the real facts—

The CHAIRMAN. Is that a summary there?

Mr. WILLIAMS. It is very short. [Continuing reading:]

Of the loans to Mr. Glover aggregating \$2,534,377, as set forth in your decision, it appears that \$386,000 were marked renewals and \$476,000 bear evidence on examination of being renewals, although not so marked—

Although they were marked "Paid," not renewed. [Continuing reading:]

Which leaves the amount of loans made to him during the period under consideration, exclusive of renewals—

and giving him the benefit of the widest interpretation—

\$1,672,377.

The CHAIRMAN. Suppose you put in there Mr. Flather's loans and Mr. Ailes's.

Mr. WILLIAMS. I am going on a little further. Based upon Mr. Hogan's statement, if the calculations had been made as he falsely urges, the amount of the loans would be nearly \$6,000,000. The amount is shown here, however, in the record to have been approximately two and one-half millions, including renewals to which attention was called in the text. [Continuing reading:]

The statement furnished by the bank as to loans made to Mr. Ailes during this period, indicates that each loan was "paid" on a date stated, but a careful analysis of the statement discloses that on the dates on which certain of these loans are reported to have been "paid" other loans were made to Mr. Ailes in which the same, or a part of the same collateral, appear. If we should therefore consider instances of this kind as "renewals" of loans, the renewals would aggregate about \$96,646.92, making his total loans during the period mentioned, exclusive of these possible renewals, \$488,208.25.

According to Mr. Hogan's false calculation if that had been true they would have represented about \$1,600,000 or \$2,000,000. It is stated in this estimate here at something over \$500,000.

Mr. Chairman, the examiner reports that the statements as to the loans of the Messrs. Flather in the shape in which they were presented by the bank did not enable him to make similar analyses, but if you desire it I shall be very glad to call upon the bank to present a statement which will enable us to make a similar analysis of their accounts as well.

The CHAIRMAN. No; it is unimportant. You can leave that statement with the committee. Mr. Hogan states, at the top of page 84, that the bank lost nothing on account of these loans.

Mr. WILLIAMS. The loans to its officers?

The CHAIRMAN. Yes.

Mr. WILLIAMS. I should be very happy if I can inform you on that point. The Supreme Court of the District, in its decision, declared that I would have the right to ask for that information. I did ask for the information as to the loans made to officers, and the bank refused to give it. If I should ask now, in the light of that decision, I could get that information for you.

The CHAIRMAN. You have no knowledge of it?

Mr. WILLIAMS. I have not. It was the refusal of the bank to furnish information in regard to direct and indirect and dummy loans to officers that occasioned the court proceedings. Again, on page 66, Mr. Hogan says:

In May, 1914, one year after that, Examiner Trimble, assisted by various assistants, made a report. We repeatedly asked the Comptroller of the Currency whether or not there was in that report any matter that ought to be brought to our attention for correction. So far as my recollection now goes, up to this date, neither that report nor any extract that has been sent to that bank has contained any criticism, and, therefore, if there was any criticism, it has not been made known to the bank.

That is, I believe, a repetition of a similar statement which he had made earlier in the hearings. I have answered that, I think, by excerpts from letters of criticism, which have already been introduced this morning, and if that is not sufficient I will be pleased to introduce more. Mr. Chairman, on page 67 and subsequent pages Mr. Hogan devotes a great deal of space and time to the discussion of an incident in the summer of 1914 when the Riggs Bank called upon the Treasury to expedite the printing of \$1,000,000 of new currency. The statements of the Riggs Bank in that connection were contradictory, as shown by the record. I will call your attention to one or two places presently. The real facts were these:

There had been stored in the vaults of the Treasury some four or five hundred million dollars of national bank notes to be issued when needed under the terms of the Aldrich-Vreeland emergency currency law. Upon the outbreak of the European war the comptroller's office was flooded with applications from the currency associations throughout the country for currency, from banks that needed it and needed it instantly. The greatest pressure was at New York; and upon the outbreak of the war the Treasury was kept open all day Sunday, August 1, I think it was, or the 2d, and all night long, preparing currency for shipment to New York, to Boston, and to the big cities to have it ready there for the opening Monday morning and Tuesday morning when the situation was likely to become more and more acute.

The situation was an exceedingly grave one, but it was handsomely and efficiently met by the courageous action of Secretary McAdoo in arranging for the distribution of this currency where it was most needed, and immediately. The Secretary of the Treasury and the Comptroller of the Currency were necessarily in very close touch with that situation and had information as to the places where the currency was most needed and the banks to which it should be given first and whose applications were pouring in. The best proof of the wisdom of the course pursued by the Treasury Department and the Secretary of the Treasury at that time is the results which were obtained. Currency was supplied where it was needed and the ship was kept on an even keel. Here and there where a bank would notify the Treasury that it must have hundreds of thousands or millions in currency, orders were rushed into the bureau in cases where the currency was not on hand, to engrave the new notes; and the Bureau of Engraving and Printing was running 24 hours a day. Some of the people there were working not only in two or three shifts, but in 24-hour shifts, in order to meet that situation.

The Riggs Bank about that time had in the vaults of the Treasury, I think it was about \$200,000 in notes which had not been called for and were not apparently needed at that time. They sent in an order to have engraved for them a million dollars of additional notes. When the order was received, knowing that the bank had already a considerable amount ahead, and that there was no application pending from any currency association from the Riggs Bank necessitating immediate and emergency action, I asked the Riggs Bank to advise the office in regard to the collateral which it might have available for the issuance to it of emergency currency. That inquiry appears to have been resented by the bank, and they sent in, in response to my inquiry as to their eligible collateral, certain lists of securities on the theory if they should have to ask for emergency currency—and they had not asked for it—they would expect to put up such and such class of collateral. I told them that under the law the collateral of the class suggested by them was not eligible and available, and asked what else they had. The character of their correspondence was so evasive and so unsatisfactory, Mr. Chairman and gentleman, that I felt a real concern to ascertain how they were off for collateral which they could use for that currency; and it was the pursuance of those investigations which appears to have occasioned a great deal of irritation on the part of the bank's officers and a great deal of needless correspondence. But that is the long and short of that incident.

I will also say that Mr. Hogan's statement to you is exceedingly unfair and misleading in intimating that in calling for them to present, as I did, later on in the course of the correspondence, a list of their assets or securities which would be available as a basis for loans with Federal reserve banks, or what we call eligible paper—as a matter of fact, Mr. Chairman, that bank was not discriminated against in requesting them to supply the office with such data as that, for I have several times—I do not know exactly how many times—since the inauguration of the Federal reserve system called upon all of the national banks to furnish precisely that information; that is to say, the amount of eligible paper which they held and which would be available as a basis for loans to the Federal reserve banks.

The CHAIRMAN. Do you know the total issue of currency by that Aldrich-Vreeland bill?

Mr. WILLIAMS. About three hundred and eighty millions.

The CHAIRMAN. That is, that was taken by the banks?

Mr. WILLIAMS. Yes, sir. But I thought it important that my office should know the condition of all the banks as to assets which they had available for loans from the Federal reserve banks.

I want to emphasize the fact that that has probably been called for by me possibly half a dozen times, probably six or eight times, of all the banks in the entire United States. I felt it essentially important, Mr. Chairman, at that time, in view of the conditions of affairs which had been developed as to the management and conduct of its business by the Riggs Bank to assure myself as to their condition in that respect.

In discussing a few moments ago, Mr. Chairman, the stocks which were being carried as collateral for loans by the officers of the bank, I mentioned the fact that Mr. Hogan, in quoting these stocks, had

omitted the prices. That quotation to which I referred at that time will be found on page 73.

On page 76 Mr. Hogan quoted an extract from a letter from the bank officials to the comptroller, dated July 17, 1914, in which he says:

If, notwithstanding all the above facts, you are of opinion that any practice of this bank, or of its officers, does violate either the law or the rules and regulations of your office, then we respectfully submit that you should inform us specifically as to each and every of such practices to which you object, and your reason for so objecting. Upon the receipt of such information we shall at once do all in our power to comply with any legal instructions or suggestions that you may give.

The bank appears to reserve to itself the right to interpret the law, as they did in the correspondence which followed.

The CHAIRMAN. I suppose that they would have the same right that you would, in that respect.

Mr. WILLIAMS. Do you think so; or do you think that a little more attention should be given to the Federal Government as to the interpretation of the law?

The CHAIRMAN. It might be so in a case of importance, that the bank would have the right to resist on legal grounds and wait for the court to pass upon the question. It seems to me that is very clear.

Mr. WILLIAMS. Yes. They claim, as I have shown you, that I did not submit criticisms. At this point I merely refer to the testimony which has already been given on that subject.

On page 79 Mr. Hogan says:

Mark you, gentlemen, this correspondence and this fight were being carried on by this man against the only bank two of whose officers had appeared before the Banking and Currency Committee of the Senate in opposition to his confirmation.

Now, Mr. Chairman, in all fairness I respectfully submit that the fact that two of the officers of that bank appeared against my confirmation five years ago should not be regarded as giving them an immunity bath. It is not fair to say that because they have appeared the comptroller shall never criticize them or discipline them or investigate their bank. I agree with you that it is proper that I should exercise great care and discretion in proceeding against a bank whose officers may have opposed the comptroller or the comptroller's office, but I can not agree with the fact that that should relieve them of the necessity of obeying the law and conducting their bank in accordance with sound and honest practices. I want to say that the fact that they appeared before the Banking and Currency Committee did not affect the bank one way or the other. The Riggs National Bank has been investigated as any other bank has been, or would be investigated, whose officers may have appeared or may not have appeared to oppose the nomination of the Comptroller of the Currency; and I think I have already probably shown you enough of the internal administration of that bank to justify the investigations which were taken up in the summer of 1914 following the reporting to the comptroller's office by the national-bank examiner; but I shall show you others.

I will refer once more to the criticism upon which Mr. Hogan enlarged in regard to the attempted examination of the bank's books

by the national-bank examiner or the assistant examiner on June 9, 1914; the bank refusing to permit the national-bank examiner to make a memorandum from its ledgers and claiming as its justification a confidential order to national-bank examiners promulgated five years before. The Comptroller of the Currency had the right, the complete right, to change that order at any moment, and it was not necessary to change that order to all the banks at the same time. While that order was in force as to examiners generally, the comptroller had an undisputed right to send any examiner into any bank to get any information of that sort or any other information relating to the bank's affairs and condition; and there was no possible justification for the position taken by the bank that there must be issued and printed some order recalling that printed notice a copy of which the bank had got possession of in some manner not disclosed.

Mr. Chairman, in the early part of this hearing I called your attention, I think, to a statement which had been made by Mr. Hogan to the effect that he had always furnished information fully and completely as far as it was humanly possible. I now call your attention to another statement to the same effect made by him on page 86 in which he says:

There was never a time when he asked anything when he was not given the full facts, absolutely, as completely as exhaustive labor could give it to him.

That statement is a complete, downright misstatement. I can refer to the specific request made by this office for a list of the bank's dummy loans to its officers and their families upon the refusal of which the comptroller's office assessed a fine of \$5,000; and yet he tries to put that statement over on this committee.

Only because of your suggestion, Mr. Chairman, that I should be careful to deny specific misstatements in so many cases, I call your attention again to the statement on page 89, where Mr. Hogan says, in referring to Mrs. Glover's overdraft, that in this case the bank examiners knew and the comptroller knew and everybody in the bank knew these were both Mr. Glover's accounts.

I did not know it, nor did the examiners know it, nor did anybody in the bank know it, nor do I believe it was true.

The CHAIRMAN. In regard to your denials of Mr. Hogan, I did not intend to embrace the statements that you yourself consider of no great consequence. I meant any statement which Mr. Hogan made which you deem to be of importance.

Mr. WILLIAMS. Frankly, Mr. Chairman, I do not regard any of them as important, because they are so obviously false.

The CHAIRMAN. As affecting your official conduct.

Mr. WILLIAMS. You mean if true, if they had been true?

The CHAIRMAN. Yes; that would in any way reflect upon your administration.

Mr. WILLIAMS. There are a great many charges and criticisms which I have resented and denounced as false, and I know how I should view them if I were a member of this committee, but as Comptroller of the Currency I do not know exactly how I should deal with them, except to pick them out one by one and add to that a general denial.

Mr. Hogan makes a distorted and unfair reference here to the inclusion or noninclusion in some list of loans by the Riggs Bank to

Treasury officials of a certain old loan made by former Secretary Carlisle. I denounce the motive which he ascribes to that incident, if his facts were correct; but I hardly think it is worth while to take up the time of the committee in going into it.

I make the same statement in regard to his criticism of the inclusion or noninclusion of some note by some official of the State Department bearing the indorsement of Admiral Grayson some years ago.

I think it might be well, in passing, for me to comment upon the euphemistic manner in which he referred to a long line of loans which the bank had been carrying through a long period of years, but which had stopped or had been abated several years prior to my taking office.

The CHAIRMAN. I do not think the committee can be left in any doubt as to your view upon that subject. I think it has been put into the record. It has been discussed several times.

Mr. WILLIAMS. I do not think I have discussed it, Mr. Chairman, have I?

The CHAIRMAN. Your examiners testified as to the situation.

Mr. WILLIAMS. I do not think the examiner has testified.

The CHAIRMAN. Well, you may proceed.

Mr. WILLIAMS. I do not want to take up your time needlessly, Mr. Chairman.

The CHAIRMAN. It may be that I do not remember, but I had an impression that the examiners went very thoroughly into the loans of the bank and their nature.

Mr. WILLIAMS. I do not think the examiners testified before this committee in this matter.

The CHAIRMAN. At some time did they not testify?

Mr. WILLIAMS. No.

The CHAIRMAN. Well, then, you may proceed. I thought I had a distinct recollection. It seemed to me that the matter of the character of the loans had been gone into, but we will probably save time by your proceeding in your own way.

Mr. WILLIAMS. I only wanted to say that Mr. Hogan's statement on page 102 in regard to excess loans, "that is was well recognized that that was a very stringent provision of law, and the law came to be looked upon as admonitory in its character rather than as mandatory, and it had become for years largely a dead letter."

The CHAIRMAN. Did they not testify in the hearings last winter with regard to all these loans—your examiners?

Mr. WILLIAMS. I do not think that the examiners have testified. May I remind you that the Riggs Bank did not come until—

The CHAIRMAN. Yes; I guess it is another matter I have in mind. Very well. You may proceed.

Mr. WILLIAMS. I will say, Mr. Chairman, that it unfortunately appeared to be the attitude of some banks that laws which they thought it unprofitable to observe were admonitory and not mandatory, and they disregarded the provisions of the statute when they thought it to their interest to do so. This law was not a law which the comptroller's office ever disregarded or which they ever permitted the banks to ignore; and the record of the past 15 or 20 years shows that the Riggs National Bank was constantly under criticism for its

infractions of law and disregard of the rules and regulations of the comptroller's office. As opposed to the suggestion or statement made by Mr. Hogan to the effect that the comptroller was very eager and anxious to prevent the correspondence appearing in the record, I ask that you print in this record the letters which passed between the Comptroller of the Currency and the Riggs National Bank up to the time that this controversy began, showing the many occasions on which they were under criticism and also such portion as the committee is willing to print, or that you will permit me to introduce into the evidence all the letters which the comptroller found it necessary to write the Riggs National Bank in his earnest and conscientious endeavor to bring the bank within the law. I will say that there is nothing in the correspondence which—

The CHAIRMAN. I remember, now. That was brought in in Mr. Hogan's testimony where he had the correspondence. Those letters are contained in that correspondence, are they?

Mr. WILLIAMS. He refers to correspondence with previous comptrollers, and that they passed it over. I will show by this correspondence, if I am permitted to introduce it, that they were not passed over, but that they were the subject of constant criticism addressed to the bank.

The CHAIRMAN. If you have any letters of that sort, they may be put into the record if you wish.

Mr. WILLIAMS. All right. Thank you.

I want to say, Mr. Chairman, that I endeavored in my correspondence with the bank—

The CHAIRMAN. I do not think it is worth while to cumber the record with too many of them. I will leave it to your judgment. You realize the situation. This matter has been gone over so many times.

Mr. WILLIAMS. I think so, too. It has been decided by a court.

In my correspondence with the bank, Mr. Chairman, my single object and my only motive was to bring the bank within the law and to protect its depositors and its shareholders. There were no personalities or grievances as far as the officials of the bank were concerned, whatsoever; no grudges which had to be satisfied. It is true that their communications were sometimes of a character well calculated to provoke the most judicial mind, and I have no doubt that some of my communications were forcible and strong and perhaps might be regarded by some people as subject to criticism; but I beg that you bear in mind, Mr. Chairman, that I felt that the reasonable requests of the comptroller's office were being disregarded and his questions were being dodged, and I thought I was being put to a very great amount of unnecessary trouble and that a great deal of unnecessary time was being taken in bringing out the facts and the true condition of that bank.

I want to say emphatically, however, and to call your attention especially to the attitude of mind and temper with which the controversy was opened on the part of the three or four officers of the bank whose testimony I read into the record yesterday, and also bring to your notice the character and temper of the letters which I addressed to the bank, notwithstanding the strong provocation to use forcible language.

I will at another hearing give you the concrete evidence of some of the occasions when I found that the bank was endeavoring to deliberately hide from the comptroller or examiners certain conditions which were developed and which were very well calculated to provoke a public officer or a man who was endeavoring to do his best for the protection and aid of the bank under investigation.

On page 113 Mr. Hogan says:

He was deviling the very life out of the officers of that bank and requiring that we go into our vaults and dig out our records for 20 years with respect to these loans when he hed the data. He made this table in spite of the fact that we did not respond to the January 22 letter. He had the thing he asked for, as to all direct loans, or loans made in the names of officers, which was part of the official files of his office from the national bank examiners' reports.

That statement, Mr. Chairman, is the reverse of the truth.

The CHAIRMAN. What you did has been pretty well disclosed by the correspondence.

Mr. WILLIAMS. We realized that we did not have that information. We had it very imperfectly and had only a portion of it and we were trying to get that information from the bank, and it was the bank's refusal to give that very information that caused the assessment of the fine.

I shall give you at another time excerpts from the testimony of one of the bank's officers in which he stated flatly to the examiner or showed to the examiner that it was impracticable for the examiner himself to get the facts in regard to the dummy loans which the bank had been making, and that if the information in regard to those dummy loans was gotten at all it would have to be gotten from the dummies and the bank's officers.

The CHAIRMAN. If you will put in just what you want to insert, matters of record that will contradict Mr. Hogan's statement, that is all that is necessary. If you take too much time to comment on each one of them—

Mr. WILLIAMS. I only want to take time enough to disprove them.

The CHAIRMAN. Well, the records will show. I do not want to limit your time in any way, of course.

Mr. WILLIAMS. I do not know whether it is worth while after what I have said for me to answer further the charge on page 115 by Mr. Hogan that the "primary safeguard of the depositors of the bank," as he expresses it, namely, examinations by examiners, was neglected on the part of the comptroller's officer.

On page 116 he again reiterates his claim so frequently made that we had failed to criticise or to prevent matters which were the subject of criticism, and in the course of an extract which he quotes he says:

If so, why do you not bring to our attention such things as may have met with his disapproval?

I have shown you a few of the things which were fully criticised and objected to.

On page 117 he makes reference to a loan on Rock Island stock by one Musher. The circumstances of that loan as explained to this office at that time were that a large amount, a thousand shares or so, of Rock Island stock had been bought by the bank on commission

for one Musher. We were advised that Musher had claimed that the stock was improperly or incorrectly bought and charged to him by the bank. The subject was one over which there was considerable controversy and the bank claimed he should be responsible for it, and it appears that they charged it up to Musher and their stock went from 25 or 26, whatever it was, down to practically nothing. It was highly speculative stock. I think it was Rock Island stock prior to the reorganization. It left a balance of some sixteen or eighteen thousand dollars, a deficit, and I am told by the examiners that in view of Musher's refusal to admit his liability and the fact that the loan had been incurred about the time of this investigation or subsequently, the Riggs Bank charged off as a loss some sixteen or eighteen thousand dollars on account of that transaction.

Mr. Hogan stated the other day that the bank had lost nothing on that transaction. I made inquiry of the national bank examiner as to what the facts were, and he advised me that he understood that after the loan had been charged off for a year or two the bank subsequently succeeded in getting the purchaser of the stocks to make good the loss and saved them from harm. So, after having been charged off, it was restored to profit and loss.

I do not know, Mr. Chairman, whether it is worth while for me to refer to a letter to the bank which I am under the impression that Mr. Hogan referred to, requesting them not to destroy their records. I am also under the impression that the specific letter was approved by the court decision. I will look that up.

On page 123 Mr. Hogan says:

One of the most reprehensible things that Mr. Williams did was to create a false impression that the Riggs National Bank was habitually short in its reserves.

I have presented to you testimony that shows that my statement on that point was true.

THE CHAIRMAN. I think that has been discussed very thoroughly.

MR. WILLIAMS. There is one point, Mr. Chairman, which I will take up here.

At page 127 Mr. Hogan says:

The thing which Mr. Williams made a great point about was what he called compensating balances.

Then, on the next page, he says:

I am going to tell you what it is. It is polite usury. While he was going after the national banks secretly throughout the country with respect to whether they were charging usury he was insisting that we were guilty of not charging usury.

Mr. Chairman, that statement is a willful perversion of the truth with no foundation for it, whatsoever.

The facts are these: When Examiner Trimble made his examination in the spring of 1914 he found, as I have told you, that the funds of the bank were nearly all locked up in the loans on bonds and stocks.

The purpose of those inquiries which started this controversy was to find out whether the bank was conducting principally a stock brokerage business and using its funds, the funds of the bank, to carry those bonds and stocks for customers in transactions where

the commissions accrued to the benefit of the bank's officers or not. The national bank examiner had been told by two or three of the officers of the bank that these transactions in bonds and stocks and real estate were transactions of the officers and not of the bank; that the officers derived a profit from the purchase and sale of bonds and stocks and the negotiation of real estate loans, and it seemed to me eminently fitting that I should inquire whether the resources, the millions of dollars of resources of the Riggs National Bank were being used in a convenient way for the conducting of a stock brokerage business by the two or three principal officers of the bank—Mr. Glover and the two Messrs. Flather, the president, the vice president, and the cashier of the bank.

I had received an affidavit from the national bank examiner, a man of unquestioned rectitude and integrity and of the highest standing, that the officers of the bank had informed him that they were making those commissions personally, and one of the officers of the bank, to corroborate that statement, had offered to show to the national bank examiner his income-tax receipt where he had paid the tax through commissions derived by him from the purchase and sale of securities.

That statement of Examiner Trimble was in conflict with statements which had been made by other examiners and which were on file in the comptroller's office. Other examiners had stated that these commissions had been collected in the past, but that they had evidently found their way to the bank; the bank got the benefit of it. Now, here comes a national bank examiner and informs me that this practice which had been in vogue previously had ceased and that no longer did the bank get any of the commissions which were being made by the officers through their stock exchange operations.

I have shown you that the bank was conducting a very active bond and stock business, that it had three private wires coming in to active officers of the bank connecting them with two or three stock-brokerage firms in New York and in Washington, and it appeared on the surface or on the facts as submitted at that time that the business of the bank was largely a stock-brokerage business and that the funds of the bank were being made to carry stocks and bonds on margin for speculators.

That is the conclusion which you would have drawn if you had been in my place at that time on the evidence which was submitted to you. Therefore, it was that I saw proper as a preliminary step to find out to what extent and how far these five or six or seven millions of dollars of money loaned on bonds or stocks were being loaned to speculators who had very active accounts with the bank, and how far they were loans which were made to the customers generally.

The CHAIRMAN. We will suspend, now, until quarter past 2, Mr. Williams.

(Whereupon, at 1.10 o'clock p. m., the committee took a recess until 2.15 o'clock p. m.)

AFTERNOON SESSION.

The committee reconvened, at the expiration of the recess, at 2.15 o'clock p. m.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. I think when we adjourned, Mr. Chairman, I was explaining my motive in making inquiry of the Riggs National Bank as to the bank balances carried by borrowers of \$500,000 or more. I think I had just stated that there were indications that the funds of the bank were being used principally, or very largely indeed, for the purpose of carrying on margin the bonds and stocks bought by the officers of the bank on commission. I had explained the contradictory reports which had been made to the comptroller's office as to what became of the commissions which were charged by the bank's officers for the purchases and sales of bonds and stocks, and for the negotiation of real estate loans.

I had stated that National Bank Examiner Trimble had reported to me that he had been assured by the officers of the bank that those commissions all went to them personally, and it seemed to me, therefore, to be highly improper that those officers, in order to facilitate and carry on bond and stock and real estate operations, should be using not only the facilities and clerical force and office of the bank without rent, but that they should also be using the bank's capital and deposits for the purpose of carrying on margin those bonds, stocks, and securities, many of them very highly speculative, in which their clients were operating. Mr. Hogan has frequently stated to the committee that the nature and character of those operations had been fully explained to previous examiners, but I was endeavoring to point out to you that whatever explanation had been made to previous examiners was in contradiction of the statements made by the officers to the last examiner, Examiner Trimble.

I shall now, with your permission, read a letter which Examiner Trimble addressed to the comptroller's office, or perhaps it may suffice if I read such extracts from that letter as relate to these transactions. On May 28, 1914, in a letter addressed to the Comptroller of the Currency, National Bank Examiner Trimble, in referring to this subject, had said:

The real estate transactions of this bank were handled in a special account in the name of Charles C. Glover prior to April 17, 1914. Since April 17, these transactions have been handled in an account under the name of William J. & H. H. Flather. The Flather brothers state that they make loans as individuals, on real estate located in the District of Columbia, in amounts not exceeding 60 per cent of sale value of property, and that these real estate loans are sold by them to the customers of the Riggs National Bank who are seeking good real estate paper as an investment for idle funds. The Flather brothers state and the records show that they retain all commissions and profits arising from these transactions other than the regular interest. The total volume of this business is about \$500,000 per annum and the profits and commissions arising therefrom are about \$5,000 per annum, which is divided equally between the two Flather brothers. They maintain that in furnishing the bank's depositors with investments of this character that a service is rendered to the bank. The demand for these investments is shown, they claim, by the fact that they have at all times a waiting list of depositors wanting these investments.

President Charles C. Glover and Vice President H. H. Flather are both members of the Washington stock exchange. All profits arising from the

purchase and sale of securities on the exchange by these gentlemen are retained by them, the Riggs National Bank having no connection therewith.

That seemed to be a very clear and unequivocal statement. In addition to that letter Mr. Trimble makes the following affidavit:

These statements made by me in the foregoing letter, signed by me May 28, 1914, were based upon statement and declarations made to me by officers of the Riggs National Bank during my examination of May 18, 1914, and the information was obtained while I was in the Riggs National Bank making this examination.

There is no question at all about the fact that the substance of the statement made in the first paragraph of page 3 was made repeatedly during this examination by the executive officers of the Riggs National Bank in the presence of each other, namely, Mr. Glover and Messrs. William J. and H. H. Flather, and in the definite and express statements which they made to me to the effect that these commissions were all their personal property, and that the bank examiner had no right to inquire into them, they were all in entire accord; and this position was impressed upon me in explanation of their unwillingness or reluctance to permit me to inquire into the details of their account. No suggestion was made to me at this time by them to the effect that these commissions were being invested or had been invested for the bank's benefit; on the contrary, they took pains to tell me that these commissions were their private matters, into which I had no right to inquire.

JAS. TRIMBLE.

The CHAIRMAN. Are you reading now from—

Mr. WILLIAMS (interrupting). Miscellaneous letters relating to correspondence between the Treasury Department and the Riggs National Bank. These are official communications.

On page 15 of volume 4 of the miscellaneous letters there is this, further:

[National Bank Examiner, Treasury Department. Office of the Comptroller of the Currency.]

WASHINGTON, D. C., June 20, 1914.

The honorable COMPTROLLER OF THE CURRENCY;

Washington, D. C.

SIR: In connection with the examination of the Riggs National Bank, Washington, D. C., begun May 18, 1914, please allow me to state:

During the examination of this bank your examiner, in the presence of W. J. Flather, vice president, and my assistant, Mr. E. J. Donahue, asked Mr. H. H. Flather, cashier, what amount of real estate paper was handled annually by the Riggs National Bank through the account of Glover & Flather, which account appeared on the books of the bank as having been transferred April 17, 1914, to the name of Flather & Flather, and what amount of profit was made annually in the transactions recorded in this account, but what disposition was made of these profits.

Mr. H. H. Flather replied that the annual volume of this business was about \$500,000, and had been running about this amount for years, and that he did not know what amount Mr. Glover made out of it, for the reason that that was Mr. Glover's private business, but that he and his brother, W. J. Flather, were making about \$5,000 per annum out of handling these real estate loans, recorded in this account; and that it was done with the full knowledge and approval of the board of directors of the bank; and that the board considered that in doing this real estate business they—Flather brothers—were rendering a service to the bank by furnishing its customers with good real estate investment notes.

Mr. W. J. Flather stated that the work of examining and appraising the property on which these loans were secured was done before and after banking hours, and did not in any way interfere with their duties at the bank.

On Wednesday, May 27, 1914, your examiner, accompanied by his assistant, Mr. E. J. Donahue, called at the Riggs National Bank between 10 and 11 o'clock a. m. for the purpose of verifying information concerning the examination in regard to the disposition of the profits on real estate operations of the

officers of this bank. We were invited into the room of Vice President Ailes and, after discussing with Mr. Ailes items of expense and salaries paid by the National City Bank, New York, to joint employees of the Riggs National Bank, and other matters, Mr. W. J. Flather and Mr. H. H. Flather came into the room; and in the presence of Mr. Ailes, Mr. Donahue, Mr. W. J. Flather, and Mr. H. H. Flather, I again asked what profits were made in handling the real estate paper as recorded in the account formerly carried on in the name of Glover & Flather and transferred to the account of Flather & Flather April 17, 1914.

In answer to this question, W. J. Flather said that the volume of business had been about \$500,000 per annum for many years, while it was carried on by Messrs Glover & Flather, and that it was still about the same in volume, and that they—W. J. Flather and H. H. Flather—were making at the rate of about \$5,000 per annum out of these real estate transactions, which they divided equally between them. In corroboration of this statement, Mr. W. J. Flather said that he would be willing to show us his income-tax return.

No one present contradicted or dissented from the statements made during this conversation.

Respectfully,

JAS. TRIMBLE, *Examiner.*

Sworn to before me and subscribed in my presence by James Trimble this June 20, 1914.

[SEAL.]

M. S. W. DAY,
Notary Public, District of Columbia.

I, E. J. Donahue, assistant to James Trimble, national-bank examiner, have read the foregoing statements, which are true.

E. J. DONAHUE, *Assistant Examiner.*

Sworn to before me and subscribed in my presence by E. J. Donahue this June 20, 1914.

[SEAL.]

M. S. W. DAY,
Notary Public, District of Columbia.

Mr. CHAIRMAN. I think with that evidence before the comptroller, the most natural and obvious thing to do was to pursue the investigation which I thereupon took up, to find whether the capital and resources of the bank were being used for the purpose of conducting this private brokerage and real estate business of these officers. That was the latest information I had. That was the report made to me by the national-bank examiner. I had no personal knowledge on the subject whatsoever, knew nothing from any of the officers of the bank, relied for my information upon the official examiners of the department, and those are the facts that confronted me. Therefore, as I say, it was that I thought it my duty to ascertain whether the bank was being run as a large stock brokerage and real estate business for the benefit of its officers, or whether it was being run in accordance with the terms and provisions of the national-bank act.

The first step which angered and excited the ire of these officers was the inquiry as to bank balances, and we found, as I have told you, that millions of dollars were being loaned on bonds and stocks to people who had no accounts with the bank except the margins on bonds and stocks; that they were not regular customers of the bank, as active deposit accounts, but their accounts were largely, if not principally, confined to their bond and stock deals and operations.

Mr. Hogan has commented and enlarged upon the fact that I made reference to the carrying of mining stocks, as if mining stock was a mere trivial incident, and was used for the purpose of creating an unfair impression or prejudice. It is not true. I found that very large amounts, hundreds of thousands of dollars, of the bank's funds were being loaned on mining stocks and other stocks that were

distinctly and highly speculative and subject to quick fluctuations, and, as I told you, these stocks were being carried for people without financial backing—for clerks, and for women to a large extent, who were not, in the ordinary course of business, expected to keep up with the rapid fluctuations of the market, whose balances in the bank were insufficient to respond to a call for margins, and who, if they should be called upon to provide money, would have to sell something else they had, if they had anything to sell, or make new loans with the bank. I have shown you that millions of dollars of these funds were being loaned to people whose aggregate balances were either trifling or which, in some cases, really were overdrawn.

The CHAIRMAN. As I understand, it was claimed by Mr. Hogan that these parties were all of them wealthy or responsible people; that the bank took no chances; and while they may not have had heavy deposits, yet the security was ample.

Mr. WILLIAMS. Do you understand that to be his claim?

The CHAIRMAN. Yes; as I remember it.

Mr. WILLIAMS. That perhaps was his claim. But that is a claim which is not supported by the facts, Mr. Chairman, as reported to me officially as comptroller, and I have endeavored to point out to you in the hearing this afternoon one particular case, a loan to J. D. Richardson of \$170,000, or thereabouts, which had been under constant criticism by me and by other comptrollers. The bank had been warned to reduce or get that loan paid.

Senator KEYES. How was that secured—by these mining stocks?

Mr. WILLIAMS. By miscellaneous stocks, and securities of questionable value. I pointed out that the bank had refused to heed the warnings of the comptroller, and finally after this correspondence had progressed, had to close the loan out at a loss of \$18,000 to the bank.

The CHAIRMAN. Yes; I think Mr. Hogan mentioned that loan.

Senator KEYES. As I recall it, did he not say something about that being partly made up later to the bank?

Mr. WILLIAMS. I think that was another loan, a loan to one Musher, which had also been charged off as a loss, but which has subsequently collected.

As to the character of the collateral upon which the money was being loaned, I call your attention to the table on page 191 of volume 1 of the correspondence with the Riggs Bank, which shows that they were making loans, at the date of this particular report, aggregating about \$5,500,000, and that the collateral was estimated to have a market value of approximately \$8,000,000. Of course, in some cases, the collateral was largely in excess, and sometimes very scant. But one loan can not be used to margin another. But here is the character of the collateral upon which they were lending the bank's funds.

The value of United States Government bonds which they held as collateral, which was first-class collateral at any and all times, was \$16,000.

They were lending also on State and municipal bonds, valued at \$88,000.

They were lending on railroad bonds, \$534,000.

They were lending on short-term railroad notes, \$21,000.

Of course, they are very liquid collateral, as a rule.

They were lending on industrial and miscellaneous bonds, \$570,000.

The were lending on industrial and miscellaneous notes, \$25,000.

They were lending on railroad stocks, \$1,899,000.

And on oil company stocks—oil company shares in those times were nothing like as common as collateral as they are to-day, nor did they have the stability then that they are supposed to have now, as a rule. They were lending on oil company stocks at that time \$325,000.

The CHAIRMAN. Their stability would depend on what companies they were, would it not?

Mr. WILLIAMS. Yes. This simply says oil company stocks. I do not know what the companies were.

The CHAIRMAN. Mr. Rockefeller's company was good at that time.

Mr. WILLIAMS. On mining company stocks they were lending \$289,000, not an insignificant or trifling amount. In all the cases I am reading the appraised value of the collateral upon which they were lending money. Of course, we do not know how much they were lending on any particular stock, but this is the collateral pledged to secure the money they were lending.

They were lending on real-estate notes, deeds of trust and mortgages, they reported, \$200,000.

As against \$16,000 loaned on Government bonds, \$88,000 on State and municipal bonds, and \$534,000 on railroad bonds, when we come down to industrial stocks and miscellaneous stocks, the collateral upon which they were lending the bank's funds amounted to \$4,056,000, making, as I stated, an aggregate of about \$8,000,000. I have read in the record the list of some of the stocks. I have available to put into the record, if you desire it, a list of the loans and the collateral securing them all. I do not know whether that condensed statement would be sufficient or not.

The CHAIRMAN. Were there any losses on those loans?

Mr. WILLIAMS. I mentioned the Richardson loss of \$18,000. I do not know what the other losses were.

The CHAIRMAN. Do you not know that there were no losses?

Mr. WILLIAMS. I do not. I would say that this information which I have just read as to the character of the collateral held by the bank was information which at that time I thought it proper to get from the banks generally in some of the large cities. It was not an inquiry simply addressed to the Riggs National Bank, as you will see by the following letter which I addressed to the Riggs Bank on September 2, 1914, in which I said:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, September 2, 1914.

The RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: Some two weeks ago, on August 18, I requested you to fill out and send to this office a certain blank form which I submitted to you, calling for information in regard to collateral held by you as security for loans, etc.

About the same time I sent a similar statement to the national banks in New York City, also calling for information in regard to collateral held by them. All of the New York banks addressed have, without exception, furnished the information called for, although the preparation of such information involved in

some cases many times as much work as the Riggs National Bank would be required to expend in the compilation of the figures that bank was requested to furnish.

You are now instructed to send to this office the aforesaid reported called for under date of August 18 not later than 3 p. m. September 4, 1914, under the penalties provided in sections 5211 and 5213 of the Revised Statutes. Let the statement be sworn to by your president, two vice presidents, and your cashier.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

I merely mention that to show that we were not merely imposing any burden upon them in asking them to give that data.

The CHAIRMAN. You got the data, did you not?

Mr. WILLIAMS. Eventually. I have read you some of it.

The CHAIRMAN. It seems to me it is hardly worth while to take time on things like that.

Mr. WILLIAMS. I do not wish to do it. It is only because you have notified me that the committee would assume that statements which I do not specifically deny are correct. With all due deference and respect, I was a little surprised at that position from you.

The CHAIRMAN. Matters of importance which you do not deny the committee might assume were admitted. For that reason I told you you would have plenty of time to controvert any item in Mr. Hogan's testimony you wanted to.

Mr. WILLIAMS. Merely for guidance, I would like to know whether I am presumed not to be guilty of these charges made by irresponsible witnesses, who offer no proof. Is the burden of proof upon me to prove my innocence, or upon them to prove that I am properly charged?

The CHAIRMAN. I think the burden of proof is on them.

Mr. WILLIAMS. I am very glad to have you say that.

The CHAIRMAN. Nevertheless, if a witness testifies to an important point which reflects upon your official conduct, and you in no way controvert it, the committee would have the right to assume that the statement was correct.

Mr. WILLIAMS. It is question of judgment, then, between the committee on the one part and myself as to what are important points?

The CHAIRMAN. You have read Mr. Hogan's testimony, and I am sure we all know you are intelligent enough to know what are important and what are not important.

Mr. WILLIAMS. Mr. Hogan enlarged at considerable length, Mr. Chairman and gentlemen, upon the burdens which he claims I imposed upon the bank, and in stating that the force of the bank was required to report at 6 a. m. and were working late into the night, my recollection is that he implied that that extra work was in answering these reports which he says I was calling for in connection with these investigations. I respectfully call your attention to the fact that Riggs National Bank, in a letter addressed to me in June, 1914, had said:

A considerable number of the clerical force of this bank has been compelled since the 1st of the present month to report at the bank about 6 o'clock each morning and to continue each evening at their desks until long after the usual hours for closing, engaged, in addition to their ordinary duties, in the preparation, at your demand, of certain detailed statistical information for the use of the Federal Reserve Board.

At that time the Federal reserve banks were about to be inaugurated, and it became important, in the judgment of the Treasury, that a large amount of statistical information should be obtained, and that information was asked from the banks in the large cities throughout the country, and Riggs was simply one of many banks which were requested, for a certain period, two weeks or thereabouts, to carefully compile and make those reports. That is a quotation from a letter, to which I say:

You apparently refer to the labor involved in furnishing this department the information called for on Forms 14A and 14B, which were sent out to certain national banks prior to the 1st instant.

I sincerely regret that under your system of accounting you should find such difficulty in supplying the data which other large and leading banks in this city assure me they are supplying easily and conveniently and quite without the hardships which you claim are being sustained by your clerical forces in this connection.

Now, Mr. Chairman, the other banks were doing it at very little cost of labor, but if it was burdensome and expensive to the Riggs National Bank, I think it was due to their clumsy, cumbersome, antiquated, and sloppy bookkeeping methods and practices, as described by Examiner Reeves, whom they brought forward as their witness. That is the language with which Examiner Reeves in several reports referred to the system of bookkeeping and the methods employed in that bank. But I am pleased to be able to advise you that as a result of the investigations of the comptroller's office, and the admonitions and suggestions made by the comptroller's office following this examination, those antiquated and cumbersome methods have been greatly improved, and the bank has been brought up to date to a large extent in that matter, and I do not think that if they should be called upon to furnish that information to-day, they would have to come down at 6 o'clock in the morning in order to do it.

I think it is only fair to me to make that brief explanation of that particular incident, upon which Mr. Hogan has enlarged, I think, once or twice.

The correspondence which then took place was with a view to developing the responsibility of the bank in connection with bond and stock operations, who was conducting the business, where the profits went, and that correspondence and those examinations went on for months. If the inquiries had been frankly and promptly answered, two-thirds of the correspondence would have been useless.

The three or four subjects which I embrace in the correspondence can be very briefly summarized:

1. The stock brokerage business of the bank, and matters incidental thereto, the private wires, and how the commissions were disposed of.

2. The request of the national bank for the engraving of a million dollars of new bank notes, when they already had on hand several hundred thousand dollars in the Treasury for which they had not called, and which request I thought it proper to defer in order to enable other banks who needed the money more urgently to be accommodated with emergency notes.

Right on that point, I ask your attention to page 175, volume 1, of the correspondence with the Riggs Bank. A number of letters were going to and fro, and the department's inquiries we felt were

not being frankly answered, and in this letter to the bank of August 13, 1914, I said:

It is unnecessary for me to comment upon the inconsistency in your letter when you say: "You are in error in assuming or supposing that the inquiry and request" for the printing of \$1,000,000 additional currency "was in any sense a hurry order."

They assured me that it was simply in the ordinary routine, that it was not a hurry order, but they were trying apparently to withdraw from correspondence on the subject. I go on:

For you immediately afterwards contradict yourself and admit that "we requested our order for the printing of \$1,000,000 notes for additional circulation to be expedited." Your differentiation between "hurry" and "expedite" is characteristic.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

It was simply those evasions and contradictions which we were encountering all the time in the correspondence, which were very well calculated to strain a man's patience. That was the subject of a good deal of correspondence.

Then later on the question came up of the regularity or irregularity of the directors' oaths. I think that accounted for a portion of the letters in the autumn of 1914. The principal subjects of the discussion were the bond and stock transactions, the speculative ventures of the bank and its customers, and the question as to whether the transactions were within the law or not. And, as I say, every letter that we wrote seemed to be evaded in some way. We could rarely get complete and satisfactory answers to the simplest questions. I shall not tire you with it further.

The CHAIRMAN. The correspondence will show the character of their replies, and we have that correspondence.

Mr. WILLIAMS. To some extent. I shall introduce, without making it too cumbersome, excerpts from the oral examination of the officials by the national bank examiner on two or three points.

Mr. Hogan had claimed that my inquiry in regard to bank balances indicated the idea on the part of the comptroller's offices that the bank should exact what he calls compensating balances. The request for a list of balances carried by borrowers did not arise from any such theory whatsoever. On the contrary, it has been the policy and position of the comptroller's office that it was wrong for a national bank to evade the usury statutes by requiring a borrower who wants to borrow \$10,000 to borrow \$12,500, for example, and take a certificate of deposit of \$2,500 and deposit that as a part of the collateral for his loan. That is simply a method of getting 25 per cent more interest than appears on the face of the note, and to show the disapproval of the comptroller's office of that arrangement, which has been in force in some banks, and in a very exaggerated condition in some, I would mention that we have taken pains to call the attention of the national banks to decisions of the courts which declare that proceeding to be usury. That thought was not in the mind of the comptroller's office at all in calling upon this bank to state what balances were being carried by their big borrowers, but the sole object in making that inquiry was to enlighten the office on the question as to whether or not the Riggs Bank was more of a

brokerage office than it was a bank, and whether the officers of the bank were using, with their customers and clients, the bank's funds to carry stock purchases, the commissions on which were taken by them for their personal account.

I do not want you to have the impression, Mr. Chairman and gentlemen, from my introduction in that list of \$350,000 of loans made to the bank's officers, tellers, bookkeepers, and 34 junior clerks and employees, that that was simply an isolated instance and that that happened 10 years ago and was done away with then. That practice continued up to June, 1914. In that list, as I say, there were \$350,000 of loans to officers and junior employees of the bank.

The CHAIRMAN. 1914?

Mr. WILLIAMS. No. It was 1906 on that list. May 22, 1906, I think, is the date. I do not know how far those loans to the junior bookkeepers and employees may have been dummy loans. We endeavored earnestly to find out to what extent they were dummy loans and how far they were made for the senior officers or for others, but the bank refused to give that information to the comptroller.

The CHAIRMAN. What did they total in July, 1914?

Mr. WILLIAMS. The examination was made in May. I will give you the May examination, the last one. I have not the details here. The liability of officers and directors was something over \$500,000 at that time. But I should be very glad to get the details.

The CHAIRMAN. Was there any question as to the security?

Mr. WILLIAMS. I would have to examine that, too. I will be very glad to get such details as you wish, Mr. Chairman.

I will, however, ask your consideration to Exhibit G to the affidavit of Defendant Williams in the Riggs equity case, showing the loans at certain examinations, at one examination each year for the years 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, down to May 18, 1914. At the May 18, 1914, examination, it appears that the loans to the officers, clerks, and directors of the bank at that time amounted to \$498,000, including \$30,000 to one of the vice presidents, \$39,000 to another, \$16,000 to another, \$63,000 to another, \$63,000 to the cashier, \$4,800 to the assistant cashier, \$1,854 to the exchange teller; Clerk C. C. Glover, jr., \$2,425; Clerk W. J. Flather, jr., \$26,884; Note Teller Giesecking—the man whose embezzlement has been referred to—was then only owing \$1,500; other bookkeepers and clerks, \$7,640; F. A. Vanderlip, director, \$55,000; other directors and other officers, \$185,000. Total, \$498,125.

The CHAIRMAN. You do not know whether there was any security or whether there was any loss on account of those loans?

Mr. WILLIAMS. I can find that out if you would like to have it.

The CHAIRMAN. Oh, no; I think you would have found it out if there had been any.

Mr. WILLIAMS. I tried to find it out. We asked them to give us a list in order that we might find it out, but they refused to give us a list which would enable us to do that.

(The exhibit submitted by Mr. Williams is as follows:)

EXHIBIT G TO AFFIDAVIT OF DEFENDANT WILLIAMS.

Money borrowed by the officers, employees, and directors of the Riggs National Bank, 1903 to 1914, as reported by national-bank examiners.

[This table does not include any dummy loans which the bank held during this period.]

	Nov. 9, 1903.	Apr. 25, 1904.	Apr. 25, 1905.	Nov. 26, 1906.	Nov. 25, 1907.	June 2, 1908.	May 11, 1909.	Nov. 28, 1910.	May 24, 1911.	Aug. 26, 1912.	May 15, 1913.	May 18, 1914.
President, C. C. Glover.....	\$24,000	\$3,000	\$10,000	\$9,500	\$40,000	\$25,000		\$73,000	\$7,000		\$24,000	(1)
Wife of C. C. Glover.....	12,000					2,000						\$30,000
Vice president, Thos. Hyde ²	32,300	36,400	12,000	14,000	13,500	17,500	\$2,000	59,283	56,283	\$34,000	44,500	39,000
Vice president, J. M. Johnston ²		8,975	27,213	34,252	39,252	39,252	65,000	66,325	58,718	55,580	71,000	16,225
Vice president, M. E. Alles.....	18,700	39,500	42,500	50,252	30,000	30,000	50,000			53,000	71,925	63,800
Vice president, Wm. J. Flather.....	10,300	10,300	11,669									
Cashier, A. T. Brice ²	18,000	41,800	52,500	28,000	35,000	37,250	41,500	56,500	56,500	56,500	63,500	63,500
Cashier, H. H. Flather.....									865			4,800
Assistant cashier, Joshua Evans.....	6,000	6,400	18,200	600	600	600						
Ladies' teller, David Rittenhouse.....	1,073	17,807		3,010	2,675	2,550						1,854
Exchange teller, E. D. Flather.....				1,605								
Assistant paying teller, A. M. Nevius.....	5,608	1,275	8,506									
Receiving teller, W. S. Peachey.....	14,325	23,725	45,100	{ 51,000 * 19,000	48,000 * 19,000	48,000 * 19,000	48,000 * 16,000	46,000 * 16,000	46,000			
Ladies' teller, Norman Bestor.....												
Clerk, C. C. Glover, Jr.....												2,425
Clerk, Wm. J. Flather, Jr.....												26,884
Note teller, Wm. A. Gieseking.....												1,500
Bookkeeper, R. S. Chow.....	13,300	4,000	14,500		2,000	2,000						
Other bookkeepers and clerks.....	11,840			125	67			11,300	1,500	100,000	90,000	47,640
F. A. Vanderlip, director.....		40,000	33,505		100,000	100,000	100,000	81,435	100,000	150,905	365,206	53,000
Other directors other than officers.....	15,000				10,000				57,500			185,497
Total.....	212,146	215,375	283,500	226,344	340,094	323,152	322,500	509,853	395,276	449,995	760,131	498,125

1 The above table does not show a dummy loan of \$85,500 which was being carried in April and May, 1914, in the name of A. M. Nevius, assistant paying teller of the bank; the proceeds of which had not been turned over to the president, C. C. Glover, who finally paid the note a day or two before the bank examiner began his examination in May, 1914.

* Thos. Hyde and J. M. Johnston retired from the vice presidency of the bank several years ago but remain as directors. A. T. Brice also retired from the cashiership several years ago.

2 Attorney.

3 George O. Vass, an employee of National City Bank at Riggs National Bank.

4 The Comptroller of the Currency, in his letter to the Riggs National Bank of March 30, 1915, called attention to the fact that the active officers of the bank were heavy borrowers from other banking institutions in Washington, and said:

"The reports of national bank examiners to this office indicate that the money being borrowed at a recent date from national banks, and from trust companies of the District by four of the senior and junior officers of your bank amounted to more than \$750,000. These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees and by two of the local trust companies."

MR. WILLIAMS. Mr. Chairman, on the point which you make as to the security, it would be the position of the comptroller's office that those transactions would be irregular if they were made on Government bonds—

The CHAIRMAN. I understand.

MR. WILLIAMS. By a bank to its clerks, employees, tellers, or assistant cashiers.

The CHAIRMAN. You have made that very clear. But if there had been any loss, I wanted that fact to appear in the record.

MR. WILLIAMS. There was a loss in the case of one of the men enumerated in that list there, which I have just read you, resulting from embezzlement, of \$65,000.

The CHAIRMAN. Yes; that has been called to our attention.

MR. WILLIAMS. There was another loss resulting from embezzlement since that date, I think, of some twenty or thirty thousand.

MR. TRIMBLE. Twenty-eight thousand.

MR. WILLIAMS. Twenty-eight thousand; the same bank. Proceeding, Mr. Chairman and gentlemen, from page to page in Mr. Hogan's testimony, I find we come on page 134 to a discussion of the perjury suit.

It is the duty of the comptroller's office, when an examiner finds violations of law of an aggravated kind, to report them to the Department of Justice, and I think I have probably gone over that pretty fully.

The CHAIRMAN. You went over that pretty fully in the hearing last winter.

MR. WILLIAMS. Mr. Hogan says here that no agent of the Department of Justice, and no examiner of the Department of Justice, testified in the trial, and so forth, apparently endeavoring to create the impression that the comptroller's office was in some way attempting to undertake the prosecution, which is, of course, unfounded.

The comptroller and the Secretary of the Treasury were, of course, directly concerned in the equity case, and in all of its steps, and we were astonished when we were advised, with the knowledge that we had of the conditions, that the affidavit which was made the basis for the perjury charge had been submitted. Mr. Laskey has mentioned that that matter was discussed at a conference at the Department of Justice at the time of the equity trial, not at the time of the perjury trial. It would naturally come up at the time of the equity trial as a matter for discussion between the parties concerned, and it would have been very extraordinary if it had not been discussed then.

You were not present this forenoon, Senator Keyes, but I pointed out then that Mr. Untermeyer, as counsel for the Secretary of the Treasury, had practically finished his work when this equity case was submitted. He could hardly have been regarded as counsel for the Secretary of the Treasury or the Comptroller of the Currency in the interval between the submission of the equity case and the perjury trial, or at the time of the perjury trial, or thereafter, and I also endeavored to make it very clear to the committee this morning that the first information which I had as to any discussion, if there was any discussion, between Mr. Untermeyer and Mr. Cromwell and Mr. Hogan, of such a character as Mr. Hogan alleges, was given to me

when Mr. Hogan testified. I knew nothing of it. The question of the affidavit upon which perjury was based was a matter of common conversation everywhere, was discussed between counsel and clients at that time. But as to the disposition and handling of the perjury case, or the avoidance of an indictment, or anything of that sort, my first information that there had been any such proposition—I do not believe there was any such proposition made by Mr. Untermeyer—the first time I heard there was any such charge made was when Mr. Hogan made that statement before your committee. But as I stated this morning, Mr. Untermeyer himself expects to be here on Monday morning, and will undertake to state what did occur in any such conference between the parties named by Mr. Hogan.

It is unreasonable to suppose for a minute that Mr. Untermeyer would have presumed to give any such assurances. He was not in a position to give any such assurances, as far as I could see, and I do not believe, as a reasonable and honorable man, he undertook to give any such assurances, in a case in which he was not concerned, and to which he was not a party. I am simply stating that as an expression of opinion. I do not know what may have occurred, but Mr. Untermeyer will speak for himself.

On page 135 Mr. Hogan says:

We called attention to the fact that Mr. Williams had sent word to us that he would not recharter this bank.

That statement is false. I never sent any such message to the bank.

The next few pages here, Mr. Chairman, go into a discussion of the perjury case and the indictment. I think it will perhaps be best for me to let Mr. Untermeyer make his statement in that connection before I touch upon it further.

If I may interrupt here for a moment, I think you stated to me the other day, outside of the committee, that Mr. Cromwell and Senator Bailey had been invited to come and make statements. Are you expecting them to come?

The CHAIRMAN. I can not tell you about that. Senator Bailey is out of town, and I do not know about him. Mr. Cromwell may come, but I do not know when.

Mr. WILLIAMS. While I am speaking of expectant witnesses, may I ask when I shall have the pleasure of confronting Mr. McFadden before this committee, Mr. Chairman?

The CHAIRMAN. I can not answer that question, Mr. Williams. I shall notify Mr. McFadden.

Mr. WILLIAMS. I should like you to summon him, if it is not presuming too much for me to put it that way.

The CHAIRMAN. I shall notify Mr. McFadden that we intended to close these hearings Monday or Tuesday.

Mr. WILLIAMS. May I ask, if it is not an improper question for me to ask, have you the right to summon him?

The CHAIRMAN. I do not know what his protection would be in the matter. This committee has a right to summon witnesses, but he is a Member of Congress, and I do not want to discuss that.

The CHAIRMAN. As I understand it, he expects to get a special committee appointed in the House.

Mr. WILLIAMS. This committee is ready and is hearing the charges and complaints—

The CHAIRMAN. He is very anxious to succeed in that effort, and that matter is now under consideration, as I understand it. So far as the Senate committee is concerned, Mr. McFadden will be notified that this hearing will close on Monday or Tuesday, and if he wishes to make any statement it will be expected that he do so.

Mr. WILLIAMS. Now, Mr. Chairman, there is one other matter which I see on page 144 which, in accordance with what I understand to be the procedure, it might be well for me to reply to.

Mr. Hogan there speaks of a former vice president of one of the national banks of the city as being a "close personal friend, cheek by jowl with him day in and day out, in the Treasury and on the streets of the city."

The gentleman to whom he refers is not and never was an intimate personal friend of mine. I have never called upon him socially in my life, nor has he ever called upon me socially at any time. Our relations have been purely official, and Mr. Hogan's attempt to establish a close and intimate relationship was simply an endeavor on his part to discolor the facts and to mislead the committee and to produce an impression which he hoped might serve him and injure me. This gentleman to whom Mr. Hogan referred had been for several years an officer of a bank in the South of which I was at one time president. While he was with that bank he was an able, faithful, and, I believe, honorable man. He resigned from that bank to accept, as I recall, the vice presidency of some trust company in New York before I came to Washington, I think several years before I came to Washington. When I came here six years ago he happened to be the vice president of a national bank in this city. He had enjoyed up to that time and subsequently my confidence. I believed him to be a capable and faithful man with a knowledge of banking which had been acquired from his banking experience of over 20 years in various capacities with three or four different banks in Virginia. There was no ground whatsoever for Mr. Hogan's insidious and misleading claim that that bank was a pet of the Treasury, and it meant to imply that there was an unfair or improper favoritism shown to that bank by me with my knowledge or approval.

During the period of speculation which followed the outbreak of the war the examiners reported to me that this officer was not devoting himself as he should do to the affairs and interests of the bank and that there were various matters of criticism in connection with that bank. I sent for the three executive officers of the bank and told them that they must understand that their bank would be required to observe the provisions of the law and regulations and rules of sound banking as closely and as faithfully as any other bank under my supervision, if not more so, and that these irregularities or unsound practices to which the examiner had called my attention must cease, and cease instantly.

They promised that there would be no further cause for complaint as far as that bank was concerned.

I may mention that it is not a very unusual thing for the controller to have to send for the officers of national banks to talk to them. We sometimes have to send for them to come from Tennessee

or Texas or wherever the irregularities seem to persist and are not remedied by the correspondence from the office or the admonitions of examiners.

We were assured that there would be no further cause for complaint. The examiner reported to me subsequently that matters had not been corrected, and that there were a number of matters which were subject of grave criticism, and he called my attention to them in some detail. I looked over his report and was impressed with the fact that the national banking law had been violated and that the case should be dealt with sternly, and I instructed him to report it to the Department of Justice forthwith, as he would with any other bank or any other officer who had been guilty of the practices which seemed to exist from the examiner's report.

That officer whom Mr. Hogan has endeavored to make you believe was enjoying special immunities or privileges of some kind from the comptroller's office or from me was forthwith indicted and is now under indictment, and has ceased to be an officer of that bank.

Just at this particular moment, while we are on that special case, if you will permit me, I should like the examiner to make a very brief statement of that incident, if you have no objection.

The CHAIRMAN. Have you not already brought that incident to the attention of the committee?

Mr. WILLIAMS. I thought, perhaps, it might be well to have my statements corroborated, if you desired, by the examiner.

The CHAIRMAN. This is the second or third time you have called it to the committee's attention.

Mr. WILLIAMS. I think this is the only time I have brought it before the committee.

The CHAIRMAN. It is very familiar to me.

Mr. WILLIAMS (after informal discussion which the reporter was directed not to record). Mr. Chairman, on page 149 Mr. Hogan states that Mr. Lammond, who was an employee at one time of the failed firm of Lewis Johnson & Co., filed an affidavit in the Riggs equity case in connection with the charges, I think, of perjury or, rather, in relation to the stock operations of the Riggs National Bank with the firm of Lewis Johnson & Co. He says on page 149:

The trial ended. The next time I met Mr. W. Morris Lammond he was assistant national bank examiner, assigned to the Philadelphia district by the grace of John Skelton Williams, Comptroller of the Currency.

He had prefaced his remark by some statement to the effect that he proposed to show how I favored my friends, or something of that sort.

Mr. Chairman, I think it only proper that I should state here that it is true that many months after the conclusion of the Riggs equity case, and, I think, probably after the conclusion of the perjury trial—I am not sure, but I think it was some time after that—Mrs. Lammond, whom I had never met, nor did I know anything about Mr. Lammond, or even that he was a married man, called at the Treasury at my office one day in great distress and told me that her husband, who had devoted the best years of his life as a bookkeeper or an officer in Lewis Johnson & Co.'s brokerage firm, but who was not in any way, as far as I understand, connected with its irregular dealings, and who, I believe, was appointed one of the receivers of

the Lewis Johnson Co., had been unable to obtain work. She did not know what influences, if any, were being used to prevent her husband from obtaining employment. She made a very pathetic appeal to me to endeavor to find some occupation or position for her husband if it was possible for me to do so. The little woman was almost in tears and seemed deeply distressed as to their future, and hardly knew where they would get their living.

I had never seen Mrs. Lammond before that visit, nor have I ever seen her since, but I was impressed with her story of her husband's fidelity and energy and earnestness and desire to make an honest living for himself and her, and I made some inquiries as to his capability and industry and character, and my inquiries were satisfactorily answered, and I became convinced that he was a capable man whose energy and experience could properly be availed of, and I thereupon arranged to give him a position as clerk in the chief examiner's office in Philadelphia. I do not know that I have seen him since that time. I perhaps may have seen him once or twice; but he has made good over there and has been promoted—and I do not care what criticisms I am subjected to by Mr. Hogan for what I did; I am glad that I did it, and I should do it again in a similar case.

That is all there is to the invidious complaint and charge in regard to Mr. Lammond.

On page 158, Mr. Chairman and gentlemen, Mr. Hogan criticizes the distribution of Red Cross deposits. As an answer to that I ask to be inserted in the record at this place the paragraph covering that subject in my affidavit.

The CHAIRMAN. Very well.

(The paragraph of the affidavit referred to and requested to be inserted at this point in the record is as follows:)

XI. RED CROSS DEPOSITS.

The allegations contained in Article XI of the bill of complaint regarding the circumstances under which the Riggs National Bank ceased to be a depository for the American Red Cross are not true. The facts are as follows:

While Assistant Secretary of the Treasury I was elected treasurer of the Red Cross by a resolution of the executive committee October 18, 1913. On December 10, 1913, at the annual meeting I was again elected treasurer of the Red Cross for the ensuing year, and on December 9, 1914, at the annual meeting was reelected treasurer for the ensuing year.

In the latter part of May, 1914, as treasurer of the Red Cross I ascertained that the plaintiff bank, which at that time carried the principal portion of the accounts of the Red Cross, was only allowing the society interest at the rate of 2 per cent per annum on the major portion of its balances, although it was allowing 3 per cent per annum on one particular Red Cross account whose balance at that time amounted to about 20 per cent of the total of the Red Cross funds on deposit with plaintiff. Knowing that 3 per cent interest was being generally paid by other leading banking institutions in Washington, I wrote to Gen. Davis, chairman of the central committee of the American Red Cross, on May 29, 1914, in regard to securing a better return upon the Red Cross deposits. This letter was as follows:

Gen. GEORGE W. DAVIS,

*Chairman Central Committee American Red Cross,
State, War, and Navy Building, Washington, D. C.*

DEAR GEN. DAVIS: From memorandum of the treasurer's cash-fund balance on hand May 25, 1914, received from Maj. Coope, it appears that the Red Cross

Society has \$122,247.01 with the Riggs National Bank, upon which only 2 per cent per annum interest is being paid. I understand that the balance with the American Security & Trust Co. is drawing 3 per cent per annum interest. Perhaps you may recall my discussing this subject with you some little time ago, and I am under the impression that the suggestion was made and that the executive committee would probably pass a resolution authorizing or directing the treasurer to require the payment of not less than 3 per cent per annum interest instead of 2 per cent from its several depositaries.

May I inquire whether any formal action was taken by the committee on this subject, and do you not think that the society should require payment of interest at the rate of not less than 3 per cent? There is no doubt about being able to get that rate from thoroughly strong representative banks. An increase of 1 per cent would increase the income of the society about \$1,500 per annum on the basis of the present balance.

Sincerely, yours,

JNO. SKELTON WILLIAMS, *Treasurer.*

In response to this letter to the chairman of the central committee of the Red Cross, the executive committee passed a resolution requesting the treasurer to confer with local bankers with the view of ascertaining the best interest allowances obtainable from the Washington banks and trust companies on deposits of Red Cross funds. Thereupon, letters were addressed to nine of the principal banks and trust companies in Washington, including the plaintiff, inviting them to make their best offers as to interest on both active and inactive accounts of the Red Cross. Nine replies were received from as many banks and trust companies. The offers ranged from 2 per cent to 3½ per cent. The highest bidders were another large national bank, which offered to pay 3½ per cent on active account and 3½ per cent on the inactive account of the Red Cross, and a large local trust company which offered to pay 3 per cent on the active account and 3½ per cent on the inactive account. These bids came in during the month of June, but were not formally submitted to the Red Cross committee on account of the absence from the city of important members of the committee, including the chairman.

Soon after the outbreak of the European war, in August, as treasurer, I wrote a letter suggesting to the chairman of the Red Cross the desirability of calling upon the local depositaries to provide collateral security for the Red Cross deposits. I felt that these funds represented a particularly sacred trust and that it would be especially unfortunate if anything should happen to tie them up or to prevent their payment at that time by the banks holding them, in view of the urgent needs for these deposits for the relief work which the Red Cross so promptly took up in connection with the European war. Pursuant to this suggestion of the treasurer, on August 21, 1914, the executive committee of the Red Cross passed a resolution requiring the treasurer to obtain from local banks or trust companies in which Red Cross funds should be deposited interest at the rate of not less than 3 per cent per annum on daily balances, and also directing the treasurer to call upon the depositaries of Red Cross funds to deposit collateral securities for the protection of the balances placed with such banks or trust companies.

Under date of September 26, 1914, I wrote to Chairman Davis, of the central committee, a letter, advising him that the plaintiff had refused to put up security for the Red Cross funds. In the same letter I reported to Chairman Davis that another certain national bank in Washington, the next largest national bank in the city to the Riggs, and whose offer in the matter of interest on deposits was more favorable to the Red Cross than that of any other bank or trust company, had offered also to provide satisfactory collateral security against deposits and at the same time to allow more favorable interest rates on these deposits than any of the other banks which had been invited to submit offers, namely, 3½ per cent per annum interest on the inactive balance and 3 per cent per annum on the active balance.

On October 1, 1914, the executive committee of the Red Cross adopted a resolution designating the national bank making the favorable offer above referred to as a depositary for Red Cross funds.

By this arrangement the Red Cross receives 3½ per cent per annum interest on its inactive balances and 3 per cent on its active balances, and at the same time gets collateral security for the money held locally on deposit. Although the plaintiff bank had allowed interest at 3 per cent per annum on a certain portion of the Red Cross funds subsequent to April 1, 1913, it had only allowed

2 per cent per annum interest for the entire period prior thereto during which it had been a Red Cross depository, covering several years.

The statement in the plaintiff's bill that I as treasurer of the Red Cross at any time solicited and recommended the acceptance of a certain offer of 3½ per cent by a certain local national bank on active accounts and of 3¼ per cent from a certain local trust company on the inactive account of the Red Cross is untrue.

The deposits which the Red Cross had with the plaintiff bank were not summarily withdrawn in the midst of the European war crisis, but were only checked out as needed for use in the work of the society.

The average balance carried by the Red Cross with plaintiff during the six months ending June 30, 1914, was \$118,972. On July 1, 1914, it was \$107,044. On August 1, 1914, it was \$101,151.

For the three months during which financial conditions were most unsettled, August, September, and October, the Red Cross balance with the plaintiff bank averaged: For August, \$114,981; for September, \$190,833; and for October, \$148,757.

The funds were withdrawn beginning in October and were not entirely withdrawn until January, 1915.

I deny that I at any time made efforts to withdraw said Red Cross amount from the plaintiff bank save for the purpose of securing for said Red Cross the most favorable interest upon and a greater protection for its deposits.

Mr. WILLIAMS. Now, Mr. Chairman, I think that that takes us pretty well through Mr. Hogan's testimony, and we come down to Mr. Darlington.

Shall we take that up or not?

The CHAIRMAN. I would like to finish this book to-night.

Senator KEYES. I can stay here until 4 o'clock.

Mr. WILLIAMS. Mr. Darlington states that in the spring of 1915 he called at the office of the Postmaster General in connection with certain conferences or negotiations which it appears had been conducted by Mr. Jeffries, a director of the Riggs National Bank, and certain other gentlemen. I have not had the opportunity of refreshing my memory by discussing this subject with the Postmaster General since Mr. Darlington gave his testimony, but it is true that I was asked to confer in this connection with the Postmaster General and was given to understand that certain parties representing the Riggs National Bank desired to make some proposition in connection with the renewal of the charter. I did not know what they proposed to do or how they proposed to do it. The preliminary negotiations, if there were any, were not with me, nor am I informed in regard to them.

Upon that occasion it was suggested that if those gentlemen would make an offer along certain lines it would be considered. I think Mr. Darlington has made it very clear that no commitments of any sort were given, either by the Postmaster General or by me, as to whether those suggestions or propositions would be favorably acted upon or whether they would not. As to how those suggestions were developed I am not informed, but I presume that they were developed as a result of conferences between Mr. Darlington and Mr. Jeffries and others. Anyhow, I was present for a few minutes when it was suggested that a proposition of that sort might be laid before the Postmaster General and he would take the matter up with the comptroller's office. I did not express myself one way or the other as to what would be done in case those propositions should be made.

The CHAIRMAN. You were present?

Mr. WILLIAMS. I was.

The CHAIRMAN. And the Postmaster General sent for Mr. Darlington?

MR. WILLIAMS. No; I do not know whether the Postmaster General sent for Mr. Darlington or whether Mr. Darlington asked permission to call on the Postmaster General. As I have stated, I do not know who originated the suggestion or how it was developed.

THE CHAIRMAN: Mr. Darlington says on page 163:

My first interview with Mr. Williams was the 25th of March, 1916. Mr. L. E. Jeffries, a director of the Riggs National Bank, also one of the general counsel for the Southern Railway Co., informed me that a very prominent public official, whose name I will give if I have to, but which I would rather not give, had agreed to act as a mediator between the bank and the comptroller.

MR. WILLIAMS. As to how he agreed to act, who asked him to act, I do not know.

THE CHAIRMAN. You were present at this conference?

MR. WILLIAMS. I was.

THE CHAIRMAN. Do you agree to it as stated by Mr. Darlington, or the substance of it?

MR. WILLIAMS. The substance of what took place was that it was suggested to Mr. Darlington and Mr. Jeffries that if a proposition along those lines should be submitted by them—if the request should be made by them—it would be acted upon, or consideration would be given to the subject. I should think that is the gist of what Mr. Darlington has testified to, and I think he has made it very clear that no commitments of any sort were made.

THE CHAIRMAN. Did you talk with the Postmaster General about it?

MR. WILLIAMS. Since then?

THE CHAIRMAN. No; at that time?

MR. WILLIAMS. Yes. I do not know how it developed. He told me in a personal way, that he understood that they were going to make some such proposition as that.

THE CHAIRMAN. You had a conversation with Mr. Burleson about it before the interview?

MR. WILLIAMS. As I say, yes; and that something along those lines would probably be submitted by them. I did not know what it would be, and no one could—

THE CHAIRMAN. As submitted by them—whom do you mean?

MR. WILLIAMS. Mr. Darlington and Mr. Jeffries.

THE CHAIRMAN. This proposition was submitted by Mr. Burleson—

MR. WILLIAMS. No; I do not understand that it was. I understand that Mr. Burleson told them that if they would submit a proposition along those lines, which I presumed had been discussed either by Mr. Darlington or by Mr. Jeffries with some one—I do not know who, possibly for a while with the Postmaster General—that it would be considered.

THE CHAIRMAN (reading):

THE CHAIRMAN. Mr. Williams was present?

MR. DARLINGTON. Yes, sir.

THE CHAIRMAN. And the Postmaster General said he made this proposition without authority from Mr. Williams?

MR. DARLINGTON. Oh, yes.

MR. WILLIAMS. Where is that, Mr. Chairman?

THE CHAIRMAN. That is at the top of page 165.

Mr. WILLIAMS. Well, I do not think the proposition was made by the Postmaster General. I think it was a discussion between the Postmaster General and those—

The **CHAIRMAN.** Mr. Darlington explained a little further:

Yes, sir. It was not to be regarded as a proposition either from himself or Mr. Williams, but if the bank would signify its willingness to accept these terms—

Mr. WILLIAMS. Ah, there it is.

The **CHAIRMAN** (continuing reading):

Then they would consider whether they would grant them or not.

Mr. WILLIAMS. Exactly; it was not a proposition. That is the express language, that it was not a proposition, but if the Riggs Bank should ask to be permitted to go ahead on that basis it would be considered.

The **CHAIRMAN.** Mr. Burleson was doing the talking at that time, was he not?

Mr. WILLIAMS. Yes; he and Mr. Darlington.

The **CHAIRMAN.** He said if the bank would signify its willingness to do these things, that would be done?

Mr. WILLIAMS. That is very indefinite. That is not a proposition from the Postmaster General.

The **CHAIRMAN.** Well, leave it there.

Mr. WILLIAMS. I think Mr. Darlington said his reply was submitted in writing. I think it is hardly worth while to discuss his letter. If you want that, he can send it. I imagine he sent the letter.

The **CHAIRMAN.** No; I do not think it is important.

Mr. WILLIAMS. Mr. Chairman, he speaks here—

The **CHAIRMAN.** That proposition was—I do not think that either of us stated it; it might be well to put it in the record now—if the directors would resign he would see what they could do about the charter, in substance.

Mr. WILLIAMS. Let us see what it does state. On page 164 I see this—this is Mr. Darlington speaking:

If I would bring him on Monday a written statement that the bank would accept the charter on certain conditions he outlined, he and the comptroller would then take the matter up and see if the charter could not be granted.

He says further:

I may not state those conditions in the order in which they were given, but they were, first, we should file in the equity suit a withdrawal of all charges of collusion, or misconduct, or conspiracy on the part of the comptroller or of the Secretary of the Treasury, and should add to this withdrawal the fact that the charges were without foundation.

The **CHAIRMAN.** He is there quoting Mr. Burleson's proposition?

Mr. WILLIAMS. Yes.

The **CHAIRMAN.** That is sufficient.

Mr. WILLIAMS. I am not prepared to say that that is in detail what the proposition was, but it was along those lines. I am not prepared to say that it involved all of those conditions in the manner in which they are stated, but it was along those lines.

Now, Mr. Chairman and gentlemen, on page 166 Mr. Darlington states: "Mr. Cornell"—I think it is Cornwell or Cornwall—"if I remember the name correctly, a lawyer in West Virginia, had obtained the State charter for us. Some time after he came to Wash-

ington. He was a candidate for the governorship on the Democratic side. He went to see Mr. McAdoo, so he told me, and told him that everywhere he went in his campaign he was met by this Riggs trouble; that unless the administration wanted him defeated, something must be done about that matter."

Mr. Chairman, I never met Mr. Cornwell in my life, and therefore I will not be able to testify as to what he may have said, but I want to say this, that that does not impress me as being a very fair statement of the case, nor do I believe that either Mr. Cornwell or anyone else traveling about West Virginia was met on every side by complaints of the Riggs Bank. I believe that statement is wholly without justification by whomsoever made. Personally, I do not believe Mr. Cornwell said it, and I want to say this, that if Mr. Cornwell did say it, probably Mr. Cornwell may have had some special reason for desiring to have the Riggs controversy ended. I understand that Mr. Cornwell is a near relation or connection by marriage or otherwise of Mr. Ailes, of the Riggs Bank. Whether Mr. Cornwell was more concerned about Mr. Ailes and the Riggs Bank than he was about the Democratic Party or any other party may be determined by you. I do not care to express an opinion on that point; but I think it is well, while Mr. Cornwell is being met on all sides by the report that the Riggs Bank was affecting politics in West Virginia, to note that it was another interest of Mr. Ailes, of the Riggs Bank, which Mr. Cornwell might perhaps with propriety have desired to aid.

Mr. Chairman, I should like at such time as may be convenient to you to sum up and get rid of this case as far as I am concerned.

The CHAIRMAN. You do not expect to do that this afternoon?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. We will leave the discussion of that point for some later date. Have you finished?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. The committee will adjourn until Monday morning at 10 o'clock.

(Whereupon at 4 o'clock p. m. the committee adjourned until Monday, July 28, 1919, at 10 o'clock a. m.)

Stanford University Libraries



3 6105 006 291 160

DATE DUE

DATE DUE			

STANFORD UNIVERSITY LIBRARIES
STANFORD, CALIFORNIA 94305-6004

